

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Leelanau County	County Leelanau
Audit Date 12/31/05	Opinion Date 4/5/06	Date Accountant Report Submitted to State: 6/26/06	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

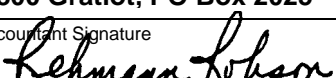
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Rehmann Robson			
Street Address 5800 Gratiot, PO Box 2025		City Saginaw	State MI
Accountant Signature 		ZIP 48605	Date 6/26/06

Leelanau County, Michigan

Financial Statements

**For the Fiscal Year Ended
December 31, 2005**

REVISED



REHMANN ROBSON

Certified Public Accountants

Leelanau County, Michigan

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Leelanau County, Michigan

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REHMANN ROBSON

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

April 5, 2006

Board of Commissioners
Leelanau County
Leland, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of **Leelanau County, Michigan** (the "County"), as of and for the year ended December 31, 2005, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the *Leelanau County Road Commission* discretely presented component unit. Those financial statements were audited by other auditors whose report was furnished to us, and our opinion, insofar as it relates to the amounts included for that entity, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of **Leelanau County, Michigan**, as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General Fund and major special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3-12 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and do not express an opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Lehmann Lobson". The signature is written in a cursive, flowing style with a large initial 'L'.

Management's Discussion and Analysis

As management of Leelanau County (the "County"), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended December 31, 2005. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the basic financial statements and notes to the basic financial statements.

Financial Highlights

- The assets of the County's primary government exceeded its liabilities at the close of fiscal year 2005 by \$33,675,214 (*net assets*). Of this amount, \$12,089,875 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- At December 31, 2005, the County's governmental funds reported combined ending fund balances of \$15,548,465, an increase of \$1,202,399.
- At December 31, 2005, unreserved, undesignated fund balance for the General Fund was \$2,636,851, or 24% of General Fund expenditures and transfers out.
- Governmental funds revenues increased by \$546,528 or 3.8% over the prior fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., accrued interest expense).

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include legislative, judicial, general government, public safety, public works, parks and recreation, and health and welfare. The business-type activities of the County include delinquent property tax collection, building inspections and the Maple Valley Nursing Home property.

The government-wide financial statements include not only the County itself (known as the *primary government*), but also the Leelanau County Road Commission, which is a legally separate entity for which the County is financially accountable. The Leelanau County Road Commission issued separate audited financial statements including a Management Discussion and Analysis. In the government-wide financial statements, financial information for the *component unit* is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 13-15 of this report

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The County maintains 44 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, CDBG Repayment, Revenue Sharing Reserve Special Revenue Fund, Leland Sewer Debt Retirement Fund, Building Capital Projects Fund and Special Assessments Fund, which are considered to be major funds. Data from the other 38 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The County adopts an annual appropriated budget for its General and special revenue funds. Budgetary comparison statements have been provided herein to demonstrate compliance with the General Fund and all major special revenue funds.

The basic governmental fund financial statements can be found on pages 16-26 of this report.

Proprietary funds. The County maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for its building inspections services, delinquent tax collection and an operating lease related to the Maple Valley Nursing Home property. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the various County functions. The County uses internal service funds to account for its building maintenance, information systems, mailing, copying, liability insurance and motor pool activities. Because these services predominately benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

The basic proprietary fund financial statements can be found on pages 27-30 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 31 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 32-50 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds and proprietary funds are presented immediately following the notes to the basic financial statements. Combining and individual fund statements and schedules can be found on pages 51-79 of this report.

Government-wide Financial Analysis - Primary Government

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$33,675,214 at the close of fiscal 2005. A large portion of the County's net assets reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Leelanau County – Primary Government Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 22,552,960	\$ 23,071,804	\$ 8,272,548	\$ 7,733,084	\$ 30,825,508	\$ 30,804,888
Capital assets, net of accumulated depreciation	<u>14,289,067</u>	<u>10,085,220</u>	<u>202,367</u>	<u>213,593</u>	<u>14,491,434</u>	<u>10,298,813</u>
Total assets	<u>36,842,027</u>	<u>33,157,024</u>	<u>8,474,915</u>	<u>7,946,677</u>	<u>45,316,942</u>	<u>41,103,701</u>
Long-term debt, net of current portion	7,225,000	7,841,467	-	26,010	7,225,000	7,867,477
Other liabilities	<u>4,375,307</u>	<u>6,031,358</u>	<u>41,421</u>	<u>20,814</u>	<u>4,416,728</u>	<u>6,052,172</u>
Total liabilities	<u>11,600,307</u>	<u>13,872,825</u>	<u>41,421</u>	<u>46,824</u>	<u>11,641,728</u>	<u>13,919,649</u>
Net assets						
Invested in capital assets, net of related debt	6,739,067	2,235,220	202,367	213,593	6,941,434	1,865,878
Restricted	14,643,905	5,637,162	-	-	14,643,905	5,637,162
Unrestricted	<u>3,858,748</u>	<u>11,411,817</u>	<u>8,231,127</u>	<u>7,686,260</u>	<u>12,089,875</u>	<u>19,681,012</u>
Total net assets	<u>\$25,241,720</u>	<u>\$19,284,199</u>	<u>\$ 8,433,494</u>	<u>\$ 7,899,853</u>	<u>\$33,675,214</u>	<u>\$27,184,052</u>

The County uses capital assets to provide services to citizens; consequently, these assets are not available for future spending. Investment in capital assets, net of related debt, is 27% of total net assets. An additional portion of the County's net assets (23%) represents resources that are subject to external restrictions on how they may be used. Restricted net assets are those net assets that have constraints placed on them by either: a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the government to assess, levy, charge, or otherwise mandate payment of resources and includes a legally enforceable requirement that those resources be used only for the specific purpose stipulated in the legislation.

All such assets (except for assets invested in capital assets, net of related debt) are considered restricted. The remaining portion of the County's net assets is unrestricted net assets. These net assets may be used to meet the government's ongoing obligations to citizens and creditors.

Leelanau County - Primary Government
Condensed Statement of Changes in Net Assets

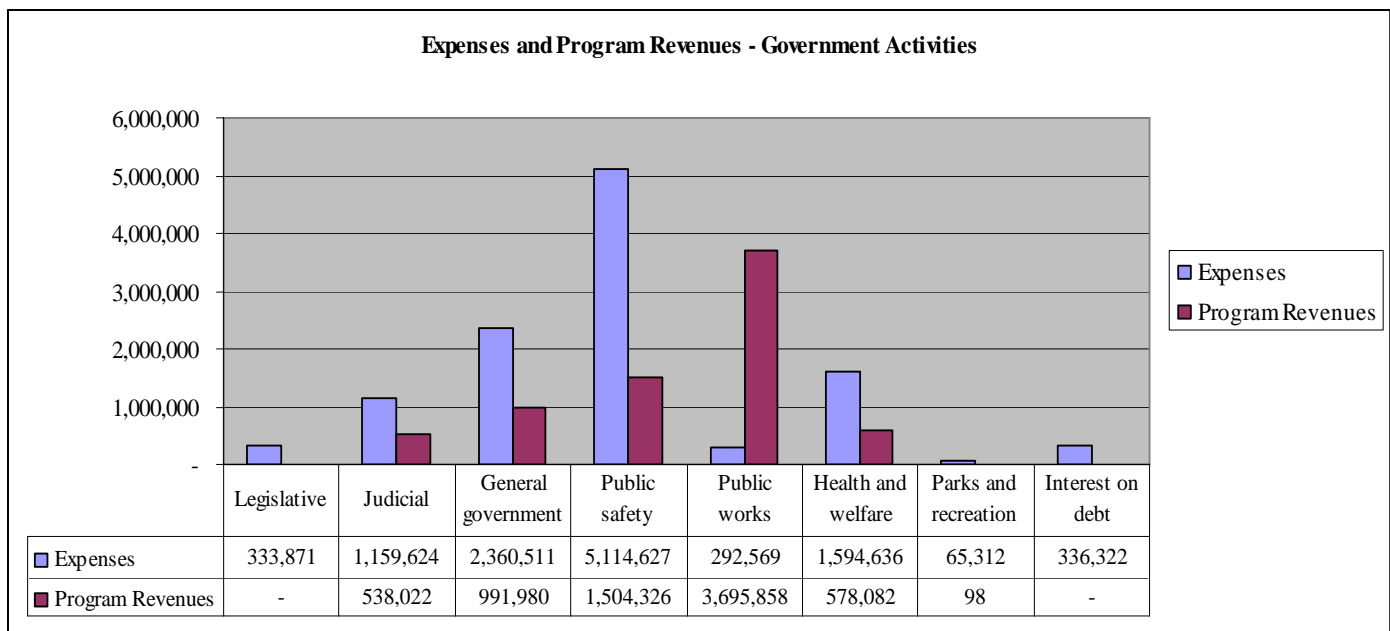
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Revenues						
Program revenue						
Charges for services	\$ 2,829,794	\$ 2,086,115	\$ 1,069,075	\$ 1,031,633	\$ 3,898,869	\$ 3,117,749
Operating grants and contributions	1,442,572	1,470,081	-	-	1,442,572	1,470,081
Capital Grants and contributions	3,036,000	267,288	-	-	3,036,000	267,288
General revenue						
Property taxes	9,339,484	8,925,197	-	-	9,339,484	8,925,199
Grants and contributions not restricted to specific programs	168,304	40,222	-	-	168,304	40,220
Special item	-	280,000	-	-	-	280,000
Other	<u>510,193</u>	<u>223,342</u>	<u>193,671</u>	<u>81,006</u>	<u>703,864</u>	<u>304,348</u>
Total revenues	<u>17,326,347</u>	<u>13,292,245</u>	<u>1,262,746</u>	<u>1,112,639</u>	<u>18,589,093</u>	<u>14,404,885</u>
Expenses						
Legislative	333,871	341,175	-	-	333,871	341,175
Judicial	1,159,624	1,269,027	-	-	1,159,624	1,269,027
General government	2,480,811	2,425,389	-	-	2,480,811	2,425,389
Public safety	5,114,627	4,030,260	-	-	5,114,627	4,030,261
Public works	292,569	242,929	-	-	292,569	242,929
Health and welfare	1,594,636	1,645,826	-	-	1,594,636	1,645,826
Recreation and culture	65,312	46,094	-	-	65,312	46,094
Interest on long-term debt	336,322	393,399	-	-	336,322	363,399
Building inspections	-	-	683,633	668,581	683,633	668,581
Maple Valley Nursing Home property	-	-	17,842	19,288	17,842	19,288
Delinquent tax collection	<u>-</u>	<u>-</u>	<u>18,684</u>	<u>5,542</u>	<u>18,684</u>	<u>5,542</u>
Total expenses	<u>11,377,772</u>	<u>10,394,099</u>	<u>720,159</u>	<u>693,411</u>	<u>12,097,031</u>	<u>11,057,511</u>
Increase in net assets before transfers	5,948,575	2,928,146	542,587	419,228	6,491,162	3,347,374
Transfers	<u>8,946</u>	<u>9,328</u>	<u>(8,946)</u>	<u>(9,328)</u>	<u>-</u>	<u>-</u>
Increase in net assets	5,957,521	2,937,474	533,641	409,900	6,491,162	3,347,374
Net assets – beginning of year	<u>19,284,199</u>	<u>16,346,725</u>	<u>7,899,853</u>	<u>7,489,953</u>	<u>27,184,052</u>	<u>23,836,678</u>
Net assets – end of year	<u>\$25,241,720</u>	<u>\$19,284,199</u>	<u>\$8,433,494</u>	<u>\$7,899,853</u>	<u>\$33,675,214</u>	<u>\$27,184,052</u>

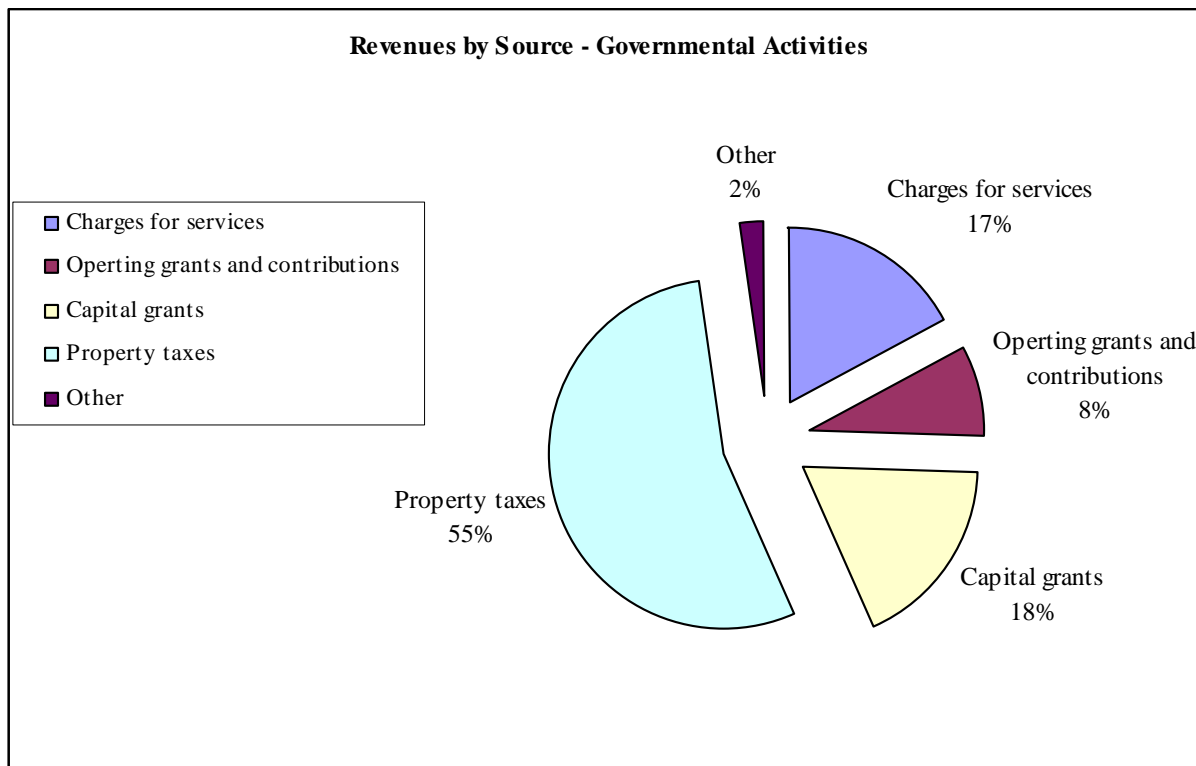
Governmental activities

Governmental activities increased the County's net assets by \$5,957,521, accounting for 92% of the total increase in the County's net assets. The main reasons for the large difference between the change in fund balances and the change in net assets are: 1) large capital outlays in the current year, which are expensed under the modified accrual method, are carried as capital assets under full accrual; 2) principal payments on debts that are expensed under the modified accrual method are booked as reductions in long-term debt under full accrual; 3) property taxes increased because of a new mechanism in place by the State to accelerate the recognition of property taxes in replacement of state shared revenue, which is recorded under grants and contributions not restricted to specific items; and 4) the Village of Suttons Bay during the year refinanced their sewer bond relieving the County of any credit obligation to the debt.

Government activities include:

- Legislative activities – expenditures related to the Board of Commissioners and administrative expenditures.
- Judicial activities – expenditures related to the administration of Circuit, District, and Probate/Family courts and Court Probation units.
- General government activities – expenditures related to the support departments of the County such as Administrator, Clerk, Treasurer, Accounting, and Register of Deeds.
- Public safety – expenditures related to the Sheriff's administration and County corrections services.
- Public works activities – expenditures related to County - wide solid waste planning and recycling.
- Parks and recreation – expenditures related to County parks.
- Health and welfare – expenditures related to public health services, mental health services, housing assistance programs, senior programs and juvenile programs.



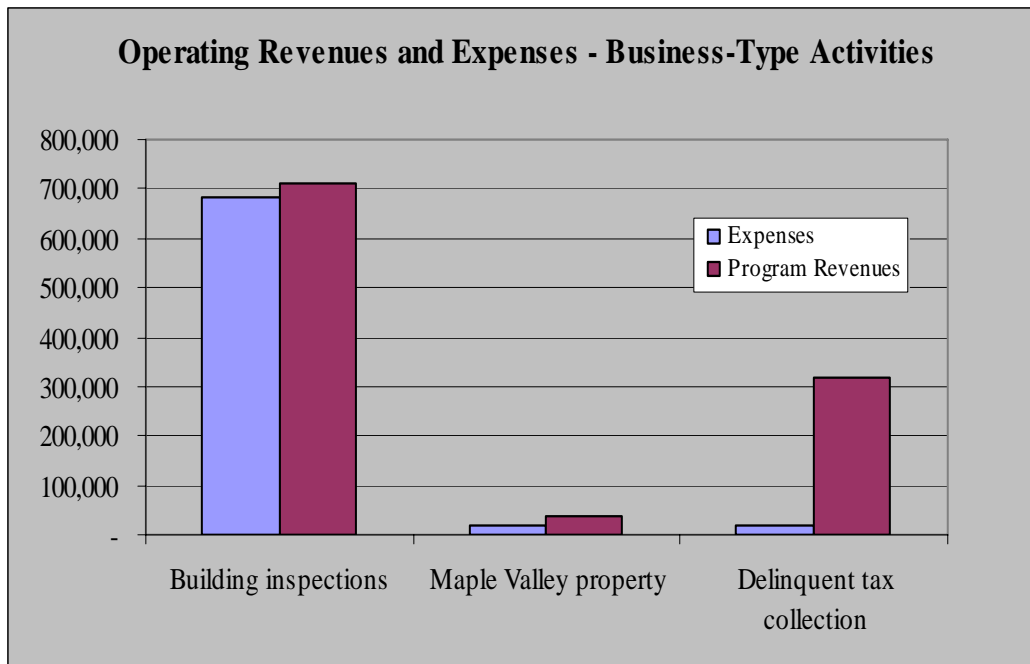


Business-type activities

The business-type activities of the County include proprietary operations. Business-type activities increased the County's net assets by \$533,641. The increase in the business-type activities net assets was generated through interest and penalties on delinquent property taxes and interest earned on deposits in the Delinquent Tax Revolving Fund.

Business-type activities include:

- **Delinquent Tax Revolving Fund** – This fund was established as a means to provide the local governments within the County's jurisdiction with 100% of the property tax distributions owed to them annually. The County then acts as the collection agency for the outstanding delinquent taxes. Current policy is to maintain cash and investments to fund 150% of the prior year's delinquent tax settlement.
- **Building Inspections Fund** - This fund was established following State guidelines to account for revenues and expenses associated with providing home and business construction inspection services.
- **Maple Valley Nursing Home Property Fund** – This fund was established to account for the collection of operating lease payments received for the use of a county-owned building; expenses related to maintenance of the property are also tracked in this fund.



Financial Analysis of the Government's Funds

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the County financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Unreserved, undesignated fund balance represented 63% of annual government expenditures and transfers out for 2005.

The General Fund's fund balance decreased by \$1,310,918 from \$4,121,966 to \$2,811,048 during 2005. General fund revenues increased by 5% while expenditures grew by 3%. Expenditure growth was highest in General Government and Public Safety. *Unreserved, undesignated fund balance* of \$2,636,851 or 24% of annual expenditures and transfers out is available for spending in the General Fund at the County's discretion. The remainder of fund balance is *reserved* for prepaid items and advances to other funds (\$174,197).

Proprietary funds. The County *proprietary funds* provide the same type of information found in the government-wide financial statements, but in more detail.

Other factors considering the finances of these funds have been addressed in the discussion of the County's business-type activities.

General Fund Budgetary Highlights

Amended budgetary expenditures differed from the originally adopted budget mainly because public safety activities final budget increased by \$297,880 due to overtime, training costs, and increased operational costs related to the occupation of the larger law enforcement center and jail. Other activities had minor changes in original budget amounts related to unexpected expenditures incurred during the year.

Capital Asset and Debt Administration

- **Capital assets** – A capital asset is an asset whose cost exceeds \$2,000 and useful life is greater than two years. Included in the cost of a capital asset are items such as labor and freight and any other costs associated with bringing the asset into full operation. Assets are depreciated using the straight-line method allocated over their useful lives.

During the year, construction was completed on the new law enforcement center. Approximately \$5.34 million dollars was spent on the project during 2005. The facility was fully occupied in May 2005 at a cost of \$7.2 million dollars.

The County voted to move the county seat to the site of the new law enforcement center.

- **Debt administration** – Debt incurred in the course of constructing or acquiring a capital asset is recorded and paid for from a debt service fund.

The County has two general obligation bonds. One general obligation bond is for the construction of a sewer extension in Leland Township. The debt service cost on this issue, which matures in 2010, is covered by the local unit. In 2002 the County issued \$7,000,000 in general obligation bonds scheduled to mature in 2027 for the construction of a new jail and law enforcement center. The Village of Suttons Bay refinanced their general obligation bond and released the County for any credit obligations.

The County entered into a contract with DeVere Construction for project management services to build the new courthouse, which will be located in Suttons Bay Township near the new law enforcement center. The estimated cost ranges from \$10.0 to \$11.0 million dollars, which will be funded from undesignated and designated fund balance in the governmental funds.

Leelanau County
Capital Assets
(net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Land and Improvements	\$ 900,969	\$ 827,605	\$ 6,346	\$ 4,029	\$ 907,315	\$ 831,634
Construction in Progress	880,519	7,160,438	-	-	880,519	7,160,438
Infrastructure	3,484,044	-	-	-	3,484,044	-
Buildings and Tower Systems	8,124,520	979,188	190,280	202,537	8,314,800	1,181,725
Equipment and Vehicles	783,740	993,015	5,741	7,027	789,481	1,000,042
Furniture and fixtures	<u>115,275</u>	<u>124,974</u>	<u>-</u>	<u>-</u>	<u>115,275</u>	<u>124,974</u>
Total	<u>\$ 14,289,067</u>	<u>\$10,085,220</u>	<u>\$202,367</u>	<u>\$ 213,593</u>	<u>\$14,491,434</u>	<u>\$10,298,813</u>

Additional information on the County capital assets can be found in Note III C on pages 42-43 of this report.

Long-term debt – Debt is classified as long-term if the debt matures in a period greater than one year.

Leelanau County
General Obligation Bonds and Other Debt

The County's primary government has \$7,750,670 in long-term debt. The breakdown of this debt is as follows:

	2005	2004
General obligation bonds	\$ 7,550,000	\$ 7,850,000
Compensated absences	<u>200,670</u>	<u>-</u>
	<u>\$ 7,750,670</u>	<u>\$ 7,850,000</u>

The County has a municipal bond rating of AAA from Standard & Poor's. Additional information on the County's long-term debt can be found in Note III F on pages 45-46 of this report.

Economic Factors and 2005 Budgets and Rates

- In 2005, unemployment was down .6% from the prior year to 4.8%.
- Population projections indicate .16% population growth to 22,157 in 2005.

Leelanau County continues to experience growth in real property values. However, with the impact of the Headlee millage rate rollback requirements, we have faced and will continue to face a revenue shortfall. This comes at a time when we plan to open a new governmental center. Overall operation of the new law enforcement/correctional center will place an additional demand on our limited General fund revenues.

We will begin construction on a governmental center in 2006. Funds are presently available to undertake this construction project without bonding.

As demand for services increases at a rate greater than our ability to fund those needs, developing a balanced budget will become more difficult. This may require that we discontinue some services and reduce staff positions.

Requests for Information

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Leelanau County Administrator, Leelanau County, Michigan, 301 Cedar Street, Leland, Michigan, 49654. Additional information can be found at our website at www.leelanau.cc

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Leelanau County, Michigan

Statement of Net Assets

December 31, 2005

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Road Commission
Assets				
Cash and cash equivalents	\$ 12,683,738	\$ 3,947,784	\$ 16,631,522	\$ 457,735
Investments	2,827,414	3,525,406	6,352,820	-
Receivables, net	5,590,510	798,658	6,389,168	841,575
Due from other governments	292,046	-	292,046	627,876
Prepaid items and other assets	249,973	700	250,673	35,406
Lease receivable - local units of government	825,000	-	825,000	-
Inventory	-	-	-	407,833
Assets held for sale	84,279	-	84,279	-
Land	817,902	-	817,902	6,455,789
Construction in progress	880,519	-	880,519	-
Depreciable capital assets, net	12,590,646	202,367	12,793,013	14,626,504
Total assets	36,842,027	8,474,915	45,316,942	23,452,718
Liabilities				
Accounts payable	686,368	14,139	700,507	117,729
Accrued liabilities	130,084	6,772	136,856	368,100
Unearned revenue	2,948,185	41	2,948,226	-
Notes payable	85,000	-	85,000	-
Long-term liabilities:				
Due within one year	525,670	20,469	546,139	-
Due in more than one year	7,225,000	-	7,225,000	169,868
Total liabilities	11,600,307	41,421	11,641,728	655,697
Net assets				
Invested in capital assets, net of related debt	6,739,067	202,367	6,941,434	21,082,293
Restricted for:				
Debt service	896,782	-	896,782	-
Capital projects	6,352,421	-	6,352,421	-
Other purposes	7,394,702	-	7,394,702	-
Unrestricted	3,858,748	8,231,127	12,089,875	1,714,728
Total net assets	\$ 25,241,720	\$ 8,433,494	\$ 33,675,214	\$ 22,797,021

The accompanying notes are an integral part of these financial statements.

Leelanau County, Michigan

Statement of Activities

For the Year Ended December 31, 2005

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges For Services	Operating Grants And Contributions	Capital Grants And Contributions	
Primary government					
Governmental activities:					
Legislative	\$ 333,871	\$ -	\$ -	\$ -	\$ (333,871)
Judicial	1,159,624	261,744	276,278	-	(621,602)
General government	2,480,811	760,049	231,931	-	(1,488,831)
Public safety	5,133,825	1,056,032	448,294	-	(3,629,499)
Public works	292,569	644,982	14,876	3,036,000	3,403,289
Health and welfare	1,575,438	106,889	471,193	-	(997,356)
Recreation and cultural	65,312	98	-	-	(65,214)
Interest on long-term debt	336,322	-	-	-	(336,322)
Total governmental activities	11,377,772	2,829,794	1,442,572	3,036,000	(4,069,406)
Business-type activities:					
Building inspections	683,633	712,088	-	-	28,455
Maple Valley property	17,842	37,110	-	-	19,268
Delinquent tax collection	18,684	319,877	-	-	301,193
Total business-type activities	720,159	1,069,075	-	-	348,916
Total primary government	<u>\$ 12,097,931</u>	<u>\$ 3,898,869</u>	<u>\$ 1,442,572</u>	<u>\$ 3,036,000</u>	<u>\$ (3,720,490)</u>
Component unit					
Road Commission	<u>\$ 4,035,425</u>	<u>\$ 1,415,959</u>	<u>\$ 3,864,761</u>	<u>\$ -</u>	<u>\$ 1,245,295</u>

Continued...

Leelanau County, Michigan

Statement of Activities

For the Year Ended December 31, 2005

Functions/Programs	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Road Commission
Changes in net assets				
Net (expense) revenue	\$ (4,069,406)	\$ 348,916	\$ (3,720,490)	\$ 1,245,295
General revenues:				
Property taxes	9,339,484	-	9,339,484	844,990
Grants and contributions not restricted to specific programs	168,304	-	168,304	-
Unrestricted investment earnings	510,193	193,671	703,864	-
Gain on sale of capital assets	-	-	-	130,669
Internal transfers	8,946	(8,946)	-	-
Total general revenues and transfers	10,026,927	184,725	10,211,652	975,659
Change in net assets	5,957,521	533,641	6,491,162	2,220,954
Net assets, beginning of year	19,284,199	7,899,853	27,184,052	20,576,067
Net assets, end of year	\$ 25,241,720	\$ 8,433,494	\$ 33,675,214	\$ 22,797,021

The accompanying notes are an integral part of these financial statements.

FUND FINANCIAL STATEMENTS

Leelanau County, Michigan

**Balance Sheet
Governmental Funds**

December 31, 2005

	<u>General</u>	<u>CDBG Repayment</u>	<u>Revenue Sharing Reserve</u>	<u>Leland Sewer Debt Retirement</u>
Assets				
Cash and cash equivalents	\$ 1,426,040	\$ 24,768	\$ 2,525,094	\$ 5
Investments	1,250,894	-	-	-
Receivables:				
Accounts	72,220	-	-	-
Loans	-	850,414	-	-
Taxes	2,575,994	-	1,326,816	-
Special assessments	-	-	-	-
Leases	-	-	-	825,000
Interest	14,340	-	-	-
Due from other governments	189,645	-	-	-
Due from other funds	-	-	-	-
Prepaid items and other assets	124,197	-	-	-
Long-term advances to other funds	50,000	-	-	-
Total assets	<u><u>\$ 5,703,330</u></u>	<u><u>\$ 875,182</u></u>	<u><u>\$ 3,851,910</u></u>	<u><u>\$ 825,005</u></u>
Liabilities and fund balances				
Liabilities				
Accounts payable	\$ 274,190	\$ 2,432	\$ -	\$ -
Accrued liabilities	78,125	-	-	-
Due to other funds	-	-	-	-
Deferred revenue	2,539,967	850,414	-	825,000
Notes payable	-	-	-	-
Long-term advances from other funds	-	-	-	-
Total liabilities	<u>2,892,282</u>	<u>852,846</u>	<u>-</u>	<u>825,000</u>
Fund balances				
Reserved for prepaids and advances	174,197	-	-	-
Unreserved:				
Undesignated	2,636,851	22,336	3,851,910	5
Undesignated, reported in nonmajor:				
Special revenue funds	-	-	-	-
Debt service	-	-	-	-
Capital projects funds	-	-	-	-
Total fund balance	<u>2,811,048</u>	<u>22,336</u>	<u>3,851,910</u>	<u>5</u>
Total liabilities and fund balances	<u><u>\$ 5,703,330</u></u>	<u><u>\$ 875,182</u></u>	<u><u>\$ 3,851,910</u></u>	<u><u>\$ 825,005</u></u>

The accompanying notes are an integral part of these financial statements.

Building	Special Assessments	Other Governmental Funds	Total
\$ 2,373,446	\$ 828,457	\$ 4,501,180	\$ 11,678,990
1,576,520	-	-	2,827,414
-	-	83,411	155,631
-	-	-	850,414
-	-	380,884	4,283,694
-	268,567	-	268,567
-	-	-	825,000
17,864	-	-	32,204
-	-	95,677	285,322
-	-	3,179	3,179
-	-	224	124,421
465,086	-	-	515,086
<u>\$ 4,432,916</u>	<u>\$ 1,097,024</u>	<u>\$ 5,064,555</u>	<u>\$ 21,849,922</u>

\$ -	\$ 214,545	\$ 103,548	\$ 594,715
-	-	18,067	96,192
-	-	3,179	3,179
-	255,110	536,794	5,007,285
-	-	85,000	85,000
-	465,086	50,000	515,086
-	934,741	796,588	6,301,457

465,086	-	224	639,507
3,967,830	162,283	-	10,641,215
-	-	2,669,818	2,669,818
-	-	95,813	95,813
-	-	1,502,112	1,502,112
<u>4,432,916</u>	<u>162,283</u>	<u>4,267,967</u>	<u>15,548,465</u>
<u>\$ 4,432,916</u>	<u>\$ 1,097,024</u>	<u>\$ 5,064,555</u>	<u>\$ 21,849,922</u>

Continued...

Leelanau County, Michigan

Reconciliation of Fund Balances on the Balance Sheet
For Governmental Funds To Net Assets Of
Governmental Activities on the Statement of Net Assets

December 31, 2005

Fund balances - total governmental funds	\$ 15,548,465
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Amounts reported for *governmental activities* in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources, and therefore not reported in the funds.

Add: capital assets - net of accumulated depreciation	14,133,913
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Assets held for sale in government activities are not current financial resources, and therefore are not reported in the funds.

Add: assets held for sale	84,279
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Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred revenues in the governmental funds, and thus are not included in fund balance.

Add: Deferred revenues related to delinquent personal property taxes	26,734
Add: Deferred revenues related to summer property tax levy	103,143
Add: Deferred revenues related to special assessments	255,110
Add: Deferred revenues related to loans receivable	850,414
Add: Deferred revenues related to DPW leases receivable	825,000
Add: Due from local units for accrued interest on sewer debt issues	6,724

Internal service funds are used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net assets.

Add: net assets of governmental activities accounted for in internal service funds	1,189,368
--	-----------

Certain liabilities are not due and payable in the current period, and therefore are not reported in the funds.

Subtract: bonds payable	(7,550,000)
Subtract: compensated absences	(200,670)
Subtract: accrued interest on long-term liabilities	(30,760)

Net assets of governmental activities	<u>\$ 25,241,720</u>
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The accompanying notes are an integral part of these financial statements.

Leelanau County, Michigan

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds**

For the Year Ended December 31, 2005

	<u>General</u>	<u>CDBG Repayment</u>	<u>Revenue Sharing Reserve</u>	<u>Leland Sewer Debt Retirement</u>
Revenues				
Property taxes	\$ 6,613,039	\$ -	\$ 2,182,106	\$ -
Special assessment revenue	-	-	-	-
Licenses and permits	17,064	-	-	-
Intergovernmental revenue:				
Federal	99,798	-	-	-
State	668,616	-	-	-
Local	-	-	-	247,344
Charges for services	820,560	-	-	-
Refunds and reimbursements	169,505	-	-	-
Fines and forfeitures	900	-	-	-
Interest	325,208	-	47,757	-
Other revenue	173,710	69,918	-	-
Total revenues	<u>8,888,400</u>	<u>69,918</u>	<u>2,229,863</u>	<u>247,344</u>
Expenditures				
Current expenditures:				
Legislative	335,289	-	-	-
Judicial	1,117,916	-	-	-
General government	2,112,441	-	-	-
Public safety	3,952,015	-	-	-
Public works	-	-	-	-
Health and welfare	478,528	37,775	-	-
Recreation and cultural	66,330	-	-	-
Other expenditures	192,930	-	-	-
Debt service:				
Principal	-	-	-	200,000
Interest and fiscal charges	-	-	-	47,344
Capital outlay	-	-	-	-
Total expenditures	<u>8,255,449</u>	<u>37,775</u>	<u>-</u>	<u>247,344</u>
Revenues over (under) expenditures	<u>632,951</u>	<u>32,143</u>	<u>2,229,863</u>	<u>-</u>
Other financing sources (uses)				
Proceeds from sales of assets	-	-	-	-
Transfers in	618,116	-	-	-
Transfers out	(2,561,985)	(15,428)	(346,860)	-
Total other financing sources (uses)	<u>(1,943,869)</u>	<u>(15,428)</u>	<u>(346,860)</u>	<u>-</u>
Net change in fund balances	<u>(1,310,918)</u>	<u>16,715</u>	<u>1,883,003</u>	<u>-</u>
Fund balance, beginning of year	<u>4,121,966</u>	<u>5,621</u>	<u>1,968,907</u>	<u>5</u>
Fund balance, end of year	<u><u>\$ 2,811,048</u></u>	<u><u>\$ 22,336</u></u>	<u><u>\$ 3,851,910</u></u>	<u><u>\$ 5</u></u>

The accompanying notes are an integral part of these financial statements.

Building	Special Assessments	Other Governmental Funds	Total
\$ -	\$ -	\$ 440,276	\$ 9,235,421
-	209,281	-	209,281
-	-	-	17,064
-	-	269,527	369,325
-	-	348,145	1,016,761
-	-	121,417	368,761
-	-	1,010,744	1,831,304
-	-	137,539	307,044
-	-	-	900
132,185	-	130	505,280
-	-	6,004	249,632
<u>132,185</u>	<u>209,281</u>	<u>2,333,782</u>	<u>14,110,773</u>
-	-	-	335,289
-	-	58,255	1,176,171
-	-	23,999	2,136,440
-	-	970,980	4,922,995
-	511,744	221,543	733,287
-	-	1,235,642	1,751,945
-	-	-	66,330
-	-	-	192,930
-	-	100,000	300,000
-	-	290,187	337,531
-	-	1,148,450	1,148,450
<u>-</u>	<u>511,744</u>	<u>4,049,056</u>	<u>13,101,368</u>
<u>132,185</u>	<u>(302,463)</u>	<u>(1,715,274)</u>	<u>1,009,405</u>
-	-	196,048	196,048
8,403	464,746	2,681,263	3,772,528
(465,500)	-	(385,809)	(3,775,582)
<u>(457,097)</u>	<u>464,746</u>	<u>2,491,502</u>	<u>192,994</u>
(324,912)	162,283	776,228	1,202,399
<u>4,757,828</u>	<u>-</u>	<u>3,491,739</u>	<u>14,346,066</u>
<u>\$ 4,432,916</u>	<u>\$ 162,283</u>	<u>\$ 4,267,967</u>	<u>\$ 15,548,465</u>

Leelanau County, Michigan

**Reconciliation of the Statement of Revenue, Expenditures
and Changes in Fund Balances of Governmental Funds
To the Statement of Activities**

For the Year Ended December 31, 2005

Net change in fund balances - total governmental funds	\$	1,202,399
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Similarly, governmental funds do not report non cash donations of capital assets. However, in the statement of activities, such donations are recognized as capital grants and contributions and the estimated fair value of those assets are capitalized and depreciated over their estimated useful lives.

Add: expenditures capitalized during the year		1,643,662
Add: donated capital assets		3,036,000
Subtract: depreciation expense		(381,096)

Governmental funds report outlays for land purchases and construction costs for assets held for sale related to grant programs as expenditures. In addition, the gross proceeds from the sales of the assets are recorded as other financing sources. However, in the statement of activities, only the net loss at the time of the sale of assets is recorded.

Add: expenditures for assets held for sale during the year		173,049
Subtract: costs of assets sold during the year		(317,516)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Add: change in deferred loans receivable		16,902
Subtract: change in deferred leases receivable		(200,000)
Add: change in deferred delinquent personal property tax receivables		920
Add: change in deferred property tax receivables related to the summer levy		103,143
Add: change in deferred special assessments receivable		255,110
Subtract: change in amount due from local units for accrued interest on DPW debt		(1,083)

The issuance of long-term debt provides current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Add: principal payments on long-term debt		300,000
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Add: change in accrued interest on bonds payable		1,209
Add: change in accrued compensated absences		90,797

Internal service funds are used by management to charge the costs of certain activities, such as equipment usage to individual funds. The net revenue of certain internal service funds is reported with governmental activities.

Add: interest revenue from governmental internal service funds		4,707
Add: gain on disposal of capital assets in governmental internal service funds		1,043
Add: transfers from governmental internal service funds		12,000
Add: net operating income from governmental activities accounted for in internal service funds		16,275

Change in net assets of governmental activities	\$	5,957,521
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The accompanying notes are an integral part of these financial statements.

Leelanau County, Michigan

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual

For the Year Ended December 31, 2005

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Revenues				
Taxes	\$ 6,620,140	\$ 6,620,974	\$ 6,613,039	\$ (7,935)
Licenses and permits	13,600	15,500	17,064	1,564
Intergovernmental revenue:				
Federal	115,071	117,389	99,798	(17,591)
State	923,908	617,828	668,616	50,788
Local	1,275	1,275	-	(1,275)
Charges for services	865,620	992,448	820,560	(171,888)
Refunds and reimbursements	105,137	156,511	169,505	12,994
Fines and forfeits	6,500	1,500	900	(600)
Interest	180,000	380,000	325,208	(54,792)
Other revenue	153,233	164,941	173,710	8,769
Total revenues	8,984,484	9,068,366	8,888,400	(179,966)
Expenditures				
Legislative				
Board of Commissioners	367,574	367,771	335,289	(32,482)
Judicial				
Circuit court	260,169	260,169	210,120	(50,049)
Circuit court - Family	327,473	330,844	313,951	(16,893)
District court	347,007	347,007	251,527	(95,480)
Jury fees	14,184	14,184	11,099	(3,085)
Probate court	330,429	333,182	331,219	(1,963)
Total judicial	1,279,262	1,285,386	1,117,916	(167,470)
General government				
Accounting	143,454	133,526	119,619	(13,907)
Elections	24,495	24,495	17,437	(7,058)
County clerk	341,636	345,806	300,556	(45,250)
Equalization	321,663	322,436	309,800	(12,636)
Attorney/legal fees	40,000	40,000	29,554	(10,446)
Remonumentation	26,000	70,509	70,509	-
Prosecuting Attorney	365,503	365,715	343,541	(22,174)
Prosecuting Attorney - social services	48,088	54,052	53,645	(407)
Victim services	60,946	61,882	61,246	(636)
Register of deeds	278,296	278,445	263,758	(14,687)
Treasurer	256,660	256,813	243,689	(13,124)
Treasurer - tax administration	-	-	-	-
Cooperative extension	166,877	186,616	185,537	(1,079)
Farmland preservation	13,140	13,271	13,270	(1)
Drain commission	18,583	18,878	18,732	(146)
Soil conservation	47,433	47,433	47,433	-
County audit	39,000	39,000	34,115	(4,885)
Total general government	2,191,774	2,258,877	2,112,441	(146,436)

Continued...

Leelanau County, Michigan

**General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual**

For the Year Ended December 31, 2005

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Public safety				
Sheriff	\$ 1,570,910	\$ 1,617,993	\$ 1,606,577	\$ (11,416)
Community work	71,832	72,279	60,611	(11,668)
911 Central dispatch	653,746	-	-	-
Emergency medical service	1,000	1,000	110	(890)
Marine	76,198	76,204	66,073	(10,131)
Sheriff secondary road patrol	86,442	86,938	82,984	(3,954)
Jail	1,437,865	1,583,431	1,573,568	(9,863)
Planning department	229,160	229,612	217,403	(12,209)
COPS Fast	6,000	6,000	5,724	(276)
Civilian dispatcher	-	-	-	-
Township/Village police services	142,933	144,802	142,277	(2,525)
Anti-Drug	72,777	76,023	75,318	(705)
Plat Board - Board of Appeals	431	431	229	(202)
Emergency service	79,068	79,184	52,425	(26,759)
Disaster contingency	500	675	674	(1)
Animal control	73,801	75,611	68,042	(7,569)
Total public safety	4,502,663	4,050,183	3,952,015	(98,168)
Health and welfare				
Benzie/Leelanau Health Department	221,468	228,107	228,106	(1)
Substance abuse	53,000	55,652	55,652	-
Medical examiner	21,600	21,600	9,716	(11,884)
Mental Health Board	139,700	139,700	139,700	-
Ambulance services	1,500	1,500	-	(1,500)
Veteran's affairs	34,128	34,477	34,474	(3)
Veteran's burial	7,000	10,880	10,880	-
Total health and welfare	478,396	491,916	478,528	(13,388)
Recreation & cultural				
Parks & recreation	73,619	73,624	66,330	(7,294)
Other expenditures				
Insurance & bonds	222,500	202,424	176,784	(25,640)
Contribution to other agency	-	14,500	14,500	-
Other	17,454	17,454	1,646	(15,808)
Total other expenditures	239,954	234,378	192,930	(41,448)
Total expenditures	9,133,242	8,762,135	8,255,449	(506,686)
Revenues over (under) expenditures	(148,758)	306,231	632,951	326,720

Continued...

Leelanau County, Michigan

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual

For the Year Ended December 31, 2005

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Other financing sources (uses)				
Transfers in	\$ 1,159,971	\$ 618,116	\$ 618,116	\$ -
Transfers out	(1,011,573)	(2,718,804)	(2,561,985)	(156,819)
Total other financing (uses)	<u>148,398</u>	<u>(2,100,688)</u>	<u>(1,943,869)</u>	<u>156,819</u>
Net change in fund balance	(360)	(1,794,457)	(1,310,918)	483,539
Fund balance - beginning of year	<u>4,121,966</u>	<u>4,121,966</u>	<u>4,121,966</u>	<u>-</u>
Fund balance - end of year	<u>\$ 4,121,606</u>	<u>\$ 2,327,509</u>	<u>\$ 2,811,048</u>	<u>\$ 483,539</u>

Concluded...

The accompanying notes are an integral part of these financial statements.

Leelanau County, Michigan

CDBG Repayment Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual

For the Year Ended December 31, 2005

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Revenues				
Other revenues	\$ 96,030	\$ 96,030	\$ 69,918	\$ (26,112)
Expenditures				
Health and welfare	67,500	67,500	37,775	(29,725)
Revenues over (under) expenditures	28,530	28,530	32,143	3,613
Other financing (uses)				
Transfers out	(22,500)	(22,500)	(15,428)	7,072
Net change in fund balance	6,030	6,030	16,715	10,685
Fund balance - beginning of year	5,621	5,621	5,621	-
Fund balance - end of year	<u>\$ 11,651</u>	<u>\$ 11,651</u>	<u>\$ 22,336</u>	<u>\$ 10,685</u>

The accompanying notes are an integral part of these financial statements.

Leelanau County, Michigan

**Revenue Sharing Reserve Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual**

For the Year Ended December 31, 2005

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Revenues				
Property taxes	\$ -	\$ -	\$ 2,182,106	\$ 2,182,106
Interest	-	-	47,757	47,757
Total revenues	-	-	2,229,863	2,229,863
Other financing (uses)				
Transfers out	-	-	(346,860)	(346,860)
Net change in fund balance	-	-	1,883,003	1,883,003
Fund balance - beginning of year	1,968,907	1,968,907	1,968,907	-
Fund balance - end of year	<u>\$ 1,968,907</u>	<u>\$ 1,968,907</u>	<u>\$ 3,851,910</u>	<u>\$ 1,883,003</u>

The accompanying notes are an integral part of these financial statements.

Leelanau County, Michigan

Statement of Net Assets
Proprietary Funds

December 31, 2005

	Enterprise Funds			Governmental Activities - Internal Service Funds
	Unpledged Delinquent Tax Revolving	Other Enterprise Funds	Total	
Assets				
Current assets				
Cash and cash equivalents	\$ 3,471,860	\$ 475,924	\$ 3,947,784	\$ 1,004,748
Investments	3,525,406	-	3,525,406	-
Receivables:				
Taxes receivable-delinquent	695,513	213	695,726	-
Interest	102,932	-	102,932	-
Prepaid items	-	700	700	125,552
Total current assets	7,795,711	476,837	8,272,548	1,130,300
Noncurrent assets				
Capital assets - net	-	202,367	202,367	155,154
Total assets	7,795,711	679,204	8,474,915	1,285,454
Liabilities				
Current liabilities				
Accounts payable	-	14,139	14,139	91,653
Accrued liabilities	-	6,772	6,772	3,132
Unearned revenue	-	41	41	1,301
Total current liabilities	-	20,952	20,952	96,086
Noncurrent liabilities				
Compensated absences	-	20,469	20,469	-
Total liabilities	-	41,421	41,421	96,086
Net assets				
Invested in capital assets	-	202,367	202,367	155,154
Unrestricted	7,795,711	435,416	8,231,127	1,034,214
Total net assets	\$ 7,795,711	\$ 637,783	\$ 8,433,494	\$ 1,189,368

The accompanying notes are an integral part of these financial statements.

Leelanau County, Michigan

**Statement of Revenues, Expenses
and Changes in Fund Net Assets
Proprietary Funds**

For the Year Ended December 31, 2005

	Enterprise Funds			Governmental Activities - Internal Service Funds
	Unpledged Delinquent Tax Revolving	Other Enterprise Funds	Total	
Operating revenues				
Charges for services	\$ 99,282	\$ 748,818	\$ 848,100	\$ 942,283
Interest on delinquent taxes	183,865	-	183,865	-
Operating grants	-	-	-	1,366
Other revenue	-	37,110	37,110	520
Total operating revenues	<u>283,147</u>	<u>785,928</u>	<u>1,069,075</u>	<u>944,169</u>
Operating expenses				
Salaries and fringes	-	480,553	480,553	226,681
Depreciation	-	13,720	13,720	166,680
Other expenses	-	224,441	224,441	535,978
Total operating expenses	<u>-</u>	<u>718,714</u>	<u>718,714</u>	<u>929,339</u>
Operating income	<u>283,147</u>	<u>67,214</u>	<u>350,361</u>	<u>14,830</u>
Nonoperating revenue				
Gain on disposal of capital assets	-	-	-	1,043
Interest revenue	193,671	-	193,671	4,707
Total nonoperating revenue	<u>193,671</u>	<u>-</u>	<u>193,671</u>	<u>5,750</u>
Income before transfers	<u>476,818</u>	<u>67,214</u>	<u>544,032</u>	<u>20,580</u>
Transfers				
Transfers in	-	-	-	12,000
Transfers out	(8,946)	-	(8,946)	-
Total transfers	<u>(8,946)</u>	<u>-</u>	<u>(8,946)</u>	<u>12,000</u>
Change in net assets	<u>467,872</u>	<u>67,214</u>	<u>535,086</u>	<u>32,580</u>
Net assets, beginning of year	<u>7,327,839</u>	<u>570,569</u>	<u>7,898,408</u>	<u>1,156,788</u>
Net assets, end of year	<u><u>\$ 7,795,711</u></u>	<u><u>\$ 637,783</u></u>	<u><u>\$ 8,433,494</u></u>	<u><u>\$ 1,189,368</u></u>
Change in net assets, per above			\$ 535,086	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			<u>(1,445)</u>	
Change in net assets - business-type activities			<u><u>\$ 533,641</u></u>	

The accompanying notes are an integral part of these financial statements.

Leelanau County, Michigan

**Statement of Cash Flows
Proprietary Funds**

For the Year Ended December 31, 2005

	Enterprise Funds			Governmental Activities - Internal Service Funds
	Unpledged Delinquent Tax Revolving	Other Enterprise Funds	Total	
Cash flows from operating activities				
Cash received from interfund services	\$ -	\$ -	\$ -	\$ 942,283
Cash received from customers	340,406	786,244	1,126,650	3,187
Cash payments to suppliers for goods and services	-	(221,221)	(221,221)	(624,027)
Cash payments to employees for services	-	(489,250)	(489,250)	(226,079)
Net cash provided by operating activities	340,406	75,773	416,179	95,364
Cash flows from non-capital financing activities				
Transfers in	-	-	-	12,000
Transfers out	(8,946)	-	(8,946)	-
Net cash provided by (used in) non-capital financing activities	(8,946)	-	(8,946)	12,000
Cash flows from capital and related financing activities				
Purchases of capital assets	-	(2,494)	(2,494)	(75,549)
Proceeds from sale of capital assets	-	-	-	4,631
Net cash (used in) capital and related financing activities	-	(2,494)	(2,494)	(70,918)
Cash flows from investing activities				
Interest received	193,671	-	193,671	4,707
Sale of investments	3,409,602	-	3,409,602	114,371
Purchase of investments	(3,525,406)	-	(3,525,406)	-
Net cash provided by investing activities	77,867	-	77,867	119,078
Net increase in cash and cash equivalents	409,327	73,279	482,606	155,524
Cash and cash equivalents, beginning of year	3,062,533	402,645	3,465,178	849,224
Cash and cash equivalents, end of year	\$ 3,471,860	\$ 475,924	\$ 3,947,784	\$ 1,004,748

Continued...

Leelanau County, Michigan

**Statement of Cash Flows
Proprietary Funds**

For the Year Ended December 31, 2005

	<u>Enterprise Funds</u>			<u>Governmental Activities - Internal Service Funds</u>
	<u>Unpledged Delinquent Tax Revolving</u>	<u>Other Enterprise Funds</u>	<u>Total</u>	
Cash flows from operating activities				
Reconciliation of operating income to net cash provided by operating activities				
Operating income	\$ 283,147	\$ 67,214	\$ 350,361	\$ 14,830
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation and amortization	-	13,720	13,720	166,680
Changes in assets and liabilities which provided (used) cash				
Taxes receivable	33,200	316	33,516	-
Interest receivable	24,059	-	24,059	-
Prepaid items	-	(74)	(74)	(122,439)
Accounts payable	-	3,294	3,294	34,390
Accrued liabilities	-	(8,697)	(8,697)	602
Unearned revenue	-	-	-	1,301
Net cash provided by operating activities	<u><u>\$ 340,406</u></u>	<u><u>\$ 75,773</u></u>	<u><u>\$ 416,179</u></u>	<u><u>\$ 95,364</u></u>

Concluded

The accompanying notes are an integral part of these financial statements.

Leelanau County, Michigan
Statement of Fiduciary Net Assets
Fiduciary Funds
December 31, 2005

	Agency Funds
	<hr/>
Assets	
Cash and cash equivalents	\$ 585,152
	<hr/>
Liabilities	
Due to other governments	\$ 184,393
Undistributed collections	307,795
Other current liabilities	92,964
	<hr/>
Total liabilities	\$ 585,152
	<hr/>

The accompanying notes are an integral part of these financial statements.

Leelanau County, Michigan

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Notes to the Financial Statements

December 31, 2005

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Leelanau County, Michigan

Notes To The Financial Statements

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

Leelanau County, Michigan (the “County”) was organized in 1863 and covers an area of approximately 334 square miles with the County Seat located in Leland, Michigan. The County operates under an elected Board of Commissioners of seven (7) members and provides services, assistance and care to its more than 14,000 residents, primarily from the operations of its General Fund and special revenue funds. The County’s services, assistance and care include the (1) general County departments, boards and commissions; (2) court system administration; (3) law enforcement and corrections; (4) assistance and/or institutional care to the aged, needy, wards of the court, neglected children and public and mental health recipients; (5) libraries and (6) recreation.

The accounting policies of the County conform to generally accepted accounting principles as applicable to state and local governments. The following is a summary of the more significant accounting policies.

Reporting Entity

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the County and its component unit. The component unit discussed below is included in the County’s reporting entity because of the significance of its operational or financial relationship with the County.

Discretely Presented Component Unit – The amounts reported as “component unit” in the basic financial statements include the financial data of the County’s discretely presented component unit, the Leelanau County Road Commission. This component unit is presented separately to emphasize that it is legally separate from the County. The County has the ability to influence the operations of the Leelanau County Road Commission and has accountability for fiscal matters. Separate financial statements for the Road Commission are available from the Leelanau County Road Commission, 10550 E. Eckerle Road, Suttons Bay, MI 49682.

Regional Joint Operations

The County participates jointly in the operation of the Benzie-Leelanau District Health Department. The financial operations of the Benzie-Leelanau District Health Department are recorded as a component unit of Benzie County. The County’s appropriation to the Benzie-Leelanau District Health Department for the year ended December 31, 2005 was \$228,106.

The County participates in the operation of the Northwest Michigan Regional Airport Commission with Grand Traverse County. The Airport Commission operates with a separate treasurer. Separate financial statements for the Airport Commission are available from the Northwest Michigan Regional Airport Commission, Cherry Capital Airport Administrative Office, Traverse City, MI 49684.

Leelanau County, Michigan

Notes To The Financial Statements

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from the legally separate *component unit* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The government reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *CDBG Repayment Fund* accounts for repayments of CDBG loans and the use of those funds to rehabilitate homes whose owners meet income eligibility guidelines.

The *Revenue Sharing Reserve Fund* accounts for the funding mechanism that substitutes for state revenue sharing payments, which is the gradual acceleration of the County property tax levy.

The *Leland Sewer Debt Retirement Fund* accounts for the debt payments made to retire the Leland Township sewer bond issue and the related receivable due from the Township.

The *Building Fund* accounts for the accumulation, and future expenditure, of funds to construct a new county services building.

The *Special Assessments Fund* is used to account for special assessments received to fund major improvements to the County owned dam.

The government reports the following major proprietary fund:

The *Unpledged DTR (Delinquent Tax Revolving) Fund* accounts for the County's administration and collection of delinquent real property taxes for all taxing units in Leelanau County.

Leelanau County, Michigan

Notes To The Financial Statements

Additionally, the government reports the following fund types:

Special revenue funds. These funds account for revenue sources that are legally restricted to expenditures for specific purposes not including major capital projects.

Debt service funds. These funds account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Capital projects funds. These funds account for the acquisition of capital assets or construction of major capital projects not being financed by proprietary funds.

Enterprise funds. These funds account for those operations that are financed and operated in a manner similar to private business or where the City has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

The *internal service funds* account for fleet and equipment management, building and grounds, data processing, copy machine, mailing department, and insurance services provided to other departments or agencies of the government on a cost reimbursement basis.

The *agency funds* account for assets held for other governments in an agency capacity, specifically in the trust and agency fund, library penal fine fund, district court and circuit court agency funds and the inmate trust fund.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, except for agency funds, which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when liabilities are incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, or within one year for reimbursement based grants. Expenditures generally are recorded when liabilities are incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Leelanau County, Michigan

Notes To The Financial Statements

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to residents and businesses for building permits and inspection fees, and fees charged on the collection of delinquent property taxes. Operating expenses for enterprise funds include personnel and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, liabilities and net assets or equity

1. Deposits and investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are reported at fair value.

2. Receivables and payables

All receivables are reported at their gross value.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year and all other outstanding balances between funds are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e. the non-current portion of interfund loans.) All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Leelanau County, Michigan

Notes To The Financial Statements

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

3. *Prepaid items*

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

4. *Capital assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

GASB Statement 34 requires major networks and major subsystems of infrastructure assets acquired, donated, constructed, or substantially rehabilitated since fiscal years ending June 30, 1980 be inventoried and capitalized by the fourth anniversary of the mandated date of adoption of the other provisions of GASB Statement No. 34. The Leelanau County Road Commission has capitalized the current year's infrastructure, as required by GASB Statement 34, and has reported the infrastructure assets in the statement of net assets.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

Capital assets of the primary government and component unit are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings and improvements	5-30
Radio towers	40
Vehicles	2-5
Equipment	3-10
Infrastructure – roads	8-30
Infrastructure – bridges	12-50
Infrastructure – dam	30

5. *Assets held for sale*

Assets held for sale consist of homes held for sale funded by the Home grant.

Leelanau County, Michigan

Notes To The Financial Statements

6. *Compensated absences*

County employees are granted vacation hours on their anniversary date of hire. The number of hours is dependent upon years of service. Unused vacation hours are accrued at fiscal year-end. Upon termination an employee may be paid for unused vacation up to a maximum of 240 hours.

All vacation and personal leave is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignation and retirements.

7. *Long-term obligations*

In the government-wide financial statements and proprietary fund type fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. *Fund equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. *Budgetary information*

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General and special revenue funds. All annual appropriations lapse at fiscal year end. During the November board meeting of each year, the Board of Commissioners adopts, by resolution, the budget for the next fiscal year.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing board is the activity level, which is the level at which expenditures may not legally exceed appropriations. The County Administrator may make transfers of appropriations between departments within any funds; however any supplemental appropriations that amend the total expenditures of any fund require Board of Commissioner's resolution.

Leelanau County, Michigan

Notes To The Financial Statements

B. Expenditures in excess of appropriations

P.A. 621 of 1978 as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the County's actual expenditures and budgeted expenditures for the budgetary funds have been shown on the activity basis. The approved budgets of the County for the budgetary funds were adopted at the activity level for the General Fund and at the functional level for the Special Revenue Funds.

The following funds had expenditures in excess of appropriations:

	Final Budget	Actual	Variance with Final Budget
Special Revenue Funds:			
Revenue Sharing Reserve - transfers out	\$ -	\$ 346,860	\$ 346,860
Inmate Commissary - public safety	1,000	5,315	4,315
Community Corrections - public safety	-	576	576
Landfill - transfers out	10,000	15,000	5,000
EMD Grants - public safety	105,786	116,440	10,654
CDBG Administration - health & welfare	62,662	64,681	2,019
Alternative to Juvenile Jailing - transfers out	-	57,641	57,641
Department of Human Services - health & welfare	12,000	14,087	2,087
Veteran's Trust - health & welfare	2,000	2,483	483
Child Care DHS - health & welfare	4,000	7,743	3,743
Communication Towers - public safety	56,900	72,057	15,157

Leelanau County, Michigan

Notes To The Financial Statements

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

Following is a reconciliation of deposit and investment balances (including both pooled cash and investments) as December 31, 2005:

Statement of Net Assets	
Cash and cash equivalents	\$ 16,631,522
Investments	6,352,820
Statement of Fiduciary Net Assets	
Cash and cash equivalents	<u>585,152</u>
Total	<u>\$ 23,569,494</u>
 Deposits and Investments:	
Bank deposits	\$ 12,062,523
Investments	11,505,771
Cash on hand	<u>1,200</u>
Total	<u>\$ 23,569,494</u>

As of year end, the County had the following investments.

	Carrying Amount (Fair Value)	<u>Credit Rating</u>
Investment:		
Bank One Governmental Operating Money Market	\$ 1,762,513	Aaa (Moody's)
LaSalle Bank Public Funds Investment Trust	582,940	Aaa (Moody's)
Federated Governmental Obligations Money Market	<u>9,160,318</u>	Aaa (Moody's)
	<u>\$ 11,505,771</u>	

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the summary of significant accounting policies. The County's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments in the summary of significant accounting policies. The County's investment policy does not have specific limits in excess of state law on investment credit risk. Credit risk ratings on the County's investments are presented above.

Leelanau County, Michigan

Notes To The Financial Statements

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned. State law does not require and the County does not have a policy for deposit custodial credit risk. As of year end, \$11,522,662 of the combined bank balance of \$12,322,662 was exposed to custodial credit risk because it was uninsured and uncollateralized. The County believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the County evaluates each financial institution with which it deposits County funds and assesses the level of risk of each institution; only those institutions with an acceptable level are used as depositories.

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the County does not have a policy for investment custodial credit risk. On the investments listed above, there is no custodial credit risk, as these investments are uncategorized as to custodial credit risk.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments in the summary of significant accounting policies. The County's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year end are reported above.

B. Receivables/Deferred Revenue

Receivables are comprised of the following:

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>
Accounts receivable	\$ 155,631	\$ -
Loans receivable	850,414	-
Taxes receivable	4,286,694	695,726
Special assessments receivable	268,567	-
Interest receivable	<u>32,204</u>	<u>102,932</u>
	<u>\$ 5,590,510</u>	<u>\$ 798,658</u>
Amount not expected to be collected within one year	<u>\$ 850,414</u>	<u>\$ 120,000</u>

Leases receivable from local units of government in the governmental activities are due entirely from Leland Township. The terms of the capital lease, which relate to sewer systems financed by the County on behalf of the Township, match the debt maturity requirements of the related bonds. At year end, the County reported leases receivable in governmental activities of \$825,000, of which \$625,000 is not expected to be collected within one year.

Leelanau County, Michigan

Notes To The Financial Statements

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Governmental Funds:		
Property taxes levied for the next fiscal year	\$ -	\$ 2,877,364
Long-term receivables not collectible within 60 days:		
Delinquent personal property taxes	26,734	-
Delinquent property taxes from summer levy	103,143	-
Special assessments	255,110	-
Loans	850,414	-
Leases – local units of government	825,000	-
Fees received in advance of being earned	<u>-</u>	<u>69,520</u>
	<u>\$ 2,060,401</u>	2,946,884
Internal Service Funds:		
Fees received in advance of being earned		<u>1,301</u>
		<u>\$ 2,948,185</u>

Leelanau County, Michigan

Notes To The Financial Statements

C. Capital assets

Capital asset activity was as follows for the year ended December 31, 2005:

Primary Government

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 817,902	\$ -	\$ -	\$ 817,902
Construction in progress	7,160,438	880,519	(7,160,438)	880,519
Total capital assets, not being depreciated	<u>7,978,340</u>	<u>880,519</u>	<u>(7,160,438)</u>	<u>1,698,421</u>
Capital assets, being depreciated:				
Infrastructure	-	3,533,115	-	3,533,115
Buildings and improvements	845,054	7,351,560	-	8,196,614
Land improvements	9,785	74,906	-	84,691
Radio towers	935,683	-	-	935,683
Equipment	1,180,057	14,310	(26,490)	1,167,877
Vehicles	867,610	61,239	(69,600)	859,249
Office equipment/furniture	550,884	-	-	550,884
Total capital assets, being depreciated	<u>4,389,073</u>	<u>11,035,130</u>	<u>(96,090)</u>	<u>15,328,113</u>
Less accumulated depreciation for:				
Infrastructure	-	(49,071)	-	(49,071)
Buildings and improvements	(673,780)	(182,439)	-	(856,219)
Land improvements	(82)	(1,542)	-	(1,624)
Radio towers	(127,769)	(23,789)	-	(151,558)
Equipment	(289,991)	(186,269)	22,902	(453,358)
Vehicles	(764,661)	(94,967)	69,600	(790,028)
Office equipment/furniture	(425,910)	(9,699)	-	(435,609)
Total accumulated depreciation	<u>(2,282,193)</u>	<u>(547,776)</u>	<u>92,502</u>	<u>(2,737,467)</u>
Total capital assets, being depreciated, net	<u>2,106,880</u>	<u>10,487,354</u>	<u>(3,588)</u>	<u>12,590,646</u>
Governmental activities capital assets, net	<u>\$ 10,085,220</u>	<u>\$ 11,367,873</u>	<u>\$ (7,164,026)</u>	<u>\$ 14,289,067</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities				
Capital assets, being depreciated:				
Buildings and improvements	\$ 623,655	\$ -	\$ -	\$ 623,655
Land improvements	4,063	2,494	-	6,557
Equipment	175,038	-	-	175,038
Total capital assets, being depreciated	<u>802,756</u>	<u>2,494</u>	<u>-</u>	<u>805,250</u>
Less accumulated depreciation for:				
Buildings and improvements	(421,117)	(12,258)	-	(433,375)
Land improvements	(34)	(177)	-	(211)
Equipment	(168,011)	(1,286)	-	(169,297)
Total accumulated depreciation	<u>(589,162)</u>	<u>(13,721)</u>	<u>-</u>	<u>(602,883)</u>
Business-type activities capital assets, net	<u>\$ 213,594</u>	<u>\$ (11,227)</u>	<u>\$ -</u>	<u>\$ 202,367</u>

Leelanau County, Michigan

Notes To The Financial Statements

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities

Judicial	\$ 1,243
General government	36,470
Public safety	280,202
Public works	50,806
Health and welfare	6,306
Recreation and cultural	6,069
Internal service funds	166,680

Total depreciation expense - governmental activities \$ 547,776

Business-type activities

Maple Valley property	<u><u>\$ 13,721</u></u>
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	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Road Commission Component Unit				
Capital assets net being depreciated				
Land and land improvements	<u>\$ 5,667,171</u>	<u>\$ 788,618</u>	<u>\$ -</u>	<u>\$ 6,455,789</u>
Capital assets being depreciated:				
Buildings and improvements	1,605,505	-	-	1,605,505
Equipment	8,156,696	859,489	(813,740)	8,202,445
Infrastructure	<u>13,187,676</u>	<u>2,069,532</u>	<u>-</u>	<u>15,257,208</u>
Total capital assets being depreciated	<u>22,949,877</u>	<u>2,929,021</u>	<u>(813,740)</u>	<u>25,065,158</u>
Less accumulated depreciation for:				
Buildings and improvements	(543,627)	(39,398)	-	(583,025)
Equipment	(6,380,640)	(652,638)	813,740	(6,219,538)
Infrastructure	<u>(3,006,222)</u>	<u>(629,869)</u>	<u>-</u>	<u>(3,636,091)</u>
Total accumulated depreciation	<u>(9,930,489)</u>	<u>(1,321,905)</u>	<u>813,740</u>	<u>(10,438,654)</u>
Total capital assets being depreciated, net	<u>13,019,388</u>	<u>1,607,116</u>	<u>-</u>	<u>14,626,504</u>
Road Commission capital assets, net	<u><u>\$ 18,686,559</u></u>	<u><u>\$ 2,395,734</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 21,082,293</u></u>

Leelanau County, Michigan

Notes To The Financial Statements

D. Accounts payable and accrued liabilities

Accounts payable in both the governmental and business-type activities consist entirely of amounts due to vendors.

Accrued liabilities are comprised of the following:

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>
Accrued payroll and withholdings	\$ 99,324	\$ 6,772
Accrued interest	<u>30,760</u>	<u>-</u>
	<u>\$ 130,084</u>	<u>\$ 6,772</u>

E. Interfund receivables, payables and transfers

At year end, amounts due from/due to other funds between nonmajor governmental funds of \$3,179 were established to cover cash deficits.

At year end, advances to/from other funds for operations were as follows:

	<u>Advances to other funds</u>		
<u>Advances from other funds</u>	<u>General Fund</u>	<u>Building Fund</u>	<u>Total</u>
Special Assessments Fund	\$ -	\$ 465,086	\$ 465,086
Nonmajor governmental funds	<u>50,000</u>	<u>-</u>	<u>50,000</u>
	<u>\$ 50,000</u>	<u>\$ 465,086</u>	<u>\$ 515,086</u>

For the year ended December 31, 2005, interfund transfers consisted of the following:

	<u>Transfers to</u>					
<u>Transfers from</u>	<u>General Fund</u>	<u>Building Fund</u>	<u>Special Assessments Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Internal Service Funds</u>	<u>Total</u>
General Fund	\$ -	\$ -	\$ 464,746	\$2,097,239	\$ -	\$2,561,985
CDBG Repayment Fund	-	-	-	15,428	-	15,428
Revenue Sharing Reserve Fund	346,860	-	-	-	-	346,860
Building Fund	-	-	-	465,500	-	465,500
Nonmajor governmental funds	262,310	8,403	-	103,096	12,000	385,809
Unpledged Delinquent Tax Revolving Fund	<u>8,946</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,946</u>
	<u>\$ 618,116</u>	<u>\$ 8,403</u>	<u>\$ 464,746</u>	<u>\$2,681,263</u>	<u>\$ 12,000</u>	<u>\$3,784,528</u>

Leelanau County, Michigan

Notes To The Financial Statements

Interfund transfers are for: (1) transferring tax administration fees to the general fund, (2) using unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, (3) to transfer funds for reimbursement of administration earned in the CDBG Repayment and Home Fund to the CDBG Administration Fund, (4) to transfer property taxes as required by State of Michigan Public Act 357 of 2004, and (5) to transfer funds to the general fund from the budget stabilization fund as authorized by Board resolution.

F. Long-term debt

The following is a summary of bond, note and compensated absences transactions of the County for the year ended December 31, 2005:

Primary Government

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
General obligation bonds	\$ 7,850,000	\$ -	\$ 300,000	\$ 7,550,000	\$ 325,000
Compensated absences	291,467	250,135	340,932	200,670	200,670
	<u>\$ 8,141,467</u>	<u>\$ 250,135</u>	<u>\$ 640,932</u>	<u>\$ 7,750,670</u>	<u>\$ 525,670</u>
Business-type activities					
Compensated absences	<u>\$ 26,010</u>	<u>\$ 20,981</u>	<u>\$ 26,522</u>	<u>\$ 20,469</u>	<u>\$ 20,469</u>

For the governmental activities, compensated absences are generally liquidated by the General Fund.

General obligation debt consists of general obligation bonds of the Department of Public Works and a general obligation bond for the construction of the County Law Enforcement Center. Department of Public Works bonds are for township sewer disposal systems. The sewer bonds are direct obligations of the respective township or village and an indirect obligation of the County. General obligation bonds currently outstanding are as follows:

<u>Description</u>	<u>Interest Rates</u>	<u>Maturing Year</u>	<u>Year End Balance</u>
Law Enforcement Center	3.0-4.75%	2027	\$ 6,725,000
Department of Public Works			
Leland Township	4.4-9.4%	2010	<u>825,000</u>
			<u>\$ 7,550,000</u>

Leelanau County, Michigan

Notes To The Financial Statements

Annual debt service requirements for primary government general obligation debt are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 325,000	\$ 320,407	\$ 645,407
2007	350,000	305,406	655,406
2008	350,000	291,969	641,969
2009	375,000	277,938	652,938
2010	225,000	266,672	491,672
2011-2015	1,200,000	1,204,344	2,404,344
2016-2020	1,625,000	913,075	2,538,075
2021-2025	2,100,000	496,081	2,596,081
2026-2027	<u>1,000,000</u>	<u>47,500</u>	<u>1,047,500</u>
Total	<u>\$ 7,550,000</u>	<u>\$ 4,123,391</u>	<u>\$11,673,391</u>

G. Short-term notes payable

During the year, the County financed the purchase of land for development under the Home Investment Partnership program. This loan was issued for a term of less than one year and, accordingly, is recorded as a liability in the fund from which it was issued. At year end, short-term notes payable consisted of the following:

Nonmajor governmental funds:

Notes payable, interest at 7.0% due 2/6/2006:

Beginning balance	\$ -
Additions	85,000
Reductions	<u>-</u>
Ending balance	<u>\$ 85,000</u>

IV. OTHER INFORMATION

A. Risk management

The County is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The County participates as a member in the Michigan Municipal Risk Management Authority (the "Authority"). The Authority is a municipal self-insurance entity operating pursuant to the State of Michigan Public Act 138 of 1982. The purpose of the Authority is to administer a risk management fund, which provides members with loss protection for general and auto liability, motor vehicle physical damage and property.

Leelanau County, Michigan

Notes To The Financial Statements

The Authority has entered into reinsurance agreements providing for loss coverage in excess of the amounts to be retained by the Authority and individual members. The County's member maximum retention on general liability is \$75,000. The limits on auto physical damage are \$15,000 per unit and \$30,000 per occurrence. The retention limits for property and crime coverage are subject to a \$1,000 deductible per occurrence with 10 percent of the first \$100,000 to be paid by the member. The Authority administers all claims and provides the County quarterly activity statements that are used to estimate the liability for unpaid claims.

In the event a reinsurance company does not meet its obligation to the Authority, responsibility for payment of any unreimbursed claims will be that of the Authority Reinsurance Fund.

The Authority has retained certain levels of risk rather than obtaining coverage through reinsurance agreements. The Authority established the Authority Reinsurance Fund in order to participate in the reinsurance agreements. Individual members are provided the same level of coverage previously afforded through a combination of the reinsurance agreements and the Reinsurance Fund.

In addition, the Authority purchases insurance for certain risks not covered by the reinsurance agreements. The reinsurance agreements discussed above include provisions for minimum annual premiums. As of December 31, 2005, the Authority had met the minimum requirements.

The County reports the activity and its share of the Retention Fund in an Internal Service Fund.

The County has transferred the risk of loss for workers' compensation and health insurance via the purchase of commercial insurance policies. Settled claims have not exceeded coverage in any of the past three fiscal years.

B. Contingencies

There are lawsuits pending in which the County is involved. The County estimates that the potential claims against the County not covered by insurance resulting from such litigation would not materially affect the financial statements of the County.

The County participates in a number of Federal and State assisted grant programs, which are subject to financial and compliance audits. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements, and is subject to audit by the grantor agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

Leelanau County, Michigan

Notes To The Financial Statements

C. Property taxes

Through 2004, the County property taxes have been levied on December 1 of each year (the lien date) and were due in full by March 1 of the year following the levy, at which time uncollected taxes became delinquent. Pursuant to Public Act 357 of 2004, which provides a funding mechanism to replace state revenue sharing payments to counties, the County's levy date is gradually shifting (or accelerating) from December 1 to July 1 of each year. As such, for the year ended December 31, 2005, the County recognized the full December 1, 2004 levy and the July 1, 2005 levy, which represents one-third of the total tax levy for calendar 2005. In 2006, two-thirds of the County property tax will be levied July 1 and then in 2007, and for each year thereafter, all of the County property tax will be levied July 1.

Property taxes are levied on the assessed taxable value of the property as established by local units, accepted by the County and equalized under State statute at approximately 50% of the current estimated market value. In March 1994, Michigan voters approved Proposal A, which limits annual increases in assessed values to the lesser of 5% or the rate of inflation with assessed value reverting to 50% of true cash value when the property is sold.

The assessed and taxable value of real and personal property for the December 1, 2004 levy, for which revenue was recognized in fiscal 2005, was \$1.7 billion. The general operating tax rate for this levy was at the maximum rate of 3.8518 mills, as adjusted by the Headlee Amendment to the State of Michigan Constitution. The County also had a voter approved tax of 0.2595 mills for the Commission on Aging.

The assessed and taxable value of real and personal property for the July 1, 2005 levy, for which revenue was recognized in fiscal 2005, was \$1.8 billion. The general operating tax rate for this levy was at the maximum rate of 3.7635 mills, as adjusted by the Headlee Amendment to the State of Michigan Constitution.

By agreement with various taxing authorities, the County purchases at face value the real property taxes returned delinquent each March 1 and records a corresponding delinquent taxes receivable.

D. Pension plans

Defined Contribution Plan

The County offers a money purchase pension plan, the Leelanau County Money Purchase Pension Plan 401(a), in accordance with Internal Revenue Code Section 401(a) to all regular and grant full-time employees who have been employed for at least two years. The Plan is administered by Pebeco. Plan provisions and contribution requirements are established and may be amended by Leelanau County. The County matches 100% of employee contributions to their section 457 deferred compensation account, ranging from a minimum of \$300 to a maximum of \$1,000 depending on the employees' years of service. For the year ended December 31, 2005, the County contributed \$31,506 based on the employee contributions into their Section 457 accounts.

Leelanau County, Michigan

Notes To The Financial Statements

Defined Benefit Plan

Plan Description. The County's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. The County participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer plan administered by the MERS Retirement Board. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 447 N. Canal Road, Lansing, Michigan 48917 or by calling (800) 767-6377.

Funding Policy. The County is required to contribute at an actuarially determined rate; the current rate ranges from 11.81% to 13.74% of annual covered payroll. Employees that are members of the County's POAM bargaining unit are required to contribute .92% of their pay. Members of the County's COAM bargaining unit are required to contribute 1.00% of their pay. County employees that are not members of these bargaining units are not required to contribute to the Plan. The contribution requirements of the County are established and may be amended by the Retirement Board of MERS. The contribution requirements of plan members are established and may be amended by the County, depending on the MERS contribution program adopted by the County.

Annual Pension Cost. For the year ended December 31, 2005, the County's annual pension cost of \$621,484 for MERS was equal to the County's required and actual contributions. The employee contribution was \$14,978. The required contribution was determined as part of the December 31, 2004 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation and (c) additional projected salary increases of 0.0% to 4.50% per year, depending on age, attributable to seniority/merit. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return and includes an adjustment to reflect fair value. The County's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2004, the date of the latest actuarial valuation, was 30 years.

Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/03	\$ 367,575	100 %	\$ -
12/31/04	529,542	100	-
12/31/05	621,484	100	-

Leelanau County, Michigan

Notes To The Financial Statements

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/02	\$ 6,587,292	\$9,347,389	\$2,760,097	70%	\$2,989,741	84%
12/31/03	7,304,291	10,154,889	2,850,598	72	3,294,043	79
12/31/04	8,118,443	12,260,264	4,141,821	66	4,106,928	101

E. Operating Leases – Lessor

The County has entered into operating lease agreements with Nextel, Alltel, Cingular, NPI, and Consumers Energy for space on County owned communication towers. Parties have agreed to various lengths of rental agreements, which all contain a right to renewal. Payment on lease rentals is dependent on the location of the antenna on the tower. The following is a summary of the minimum lease rental revenue for the next five years:

2006	\$ 115,619
2007	98,696
2008	20,201
2009	<u>6,480</u>
Total	<u>\$ 240,996</u>

F. Commitments

The County is obligated for construction contracts relating to the construction of a new County governmental center in the amount of \$270,000. These commitments are not susceptible to accrual. Accordingly, no liabilities have been recorded in the financial statements.

G. Revised and Reissued Financial Statements

Certain errors in the budgetary information presented in the originally issued financial statements for the year ended December 31, 2005 were noted after the issuance of those financial statements. Accordingly, these errors have been corrected with the issuance of these revised financial statements. Such corrections affected the budgetary information presented on pages 22 through 25 and page 38.

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SUPPLEMENTARY INFORMATION

Leelanau County, Michigan

Combining Balance Sheet Nonmajor Governmental Funds

December 31, 2005

	Special Revenue Funds	Debt Service Fund Law Enforcement	Capital Projects Funds	Total Nonmajor Governmental Funds
Assets				
Cash and cash equivalents	\$ 2,862,077	\$ 95,813	\$ 1,543,290	\$ 4,501,180
Receivables				
Accounts	83,411	-	-	83,411
Taxes	380,884	-	-	380,884
Due from other governments	95,677	-	-	95,677
Due from other funds	-	-	3,179	3,179
Prepaid items	224	-	-	224
Total assets	<u>\$ 3,422,273</u>	<u>\$ 95,813</u>	<u>\$ 1,546,469</u>	<u>\$ 5,064,555</u>
Liabilities and fund balances				
Liabilities				
Accounts payable	\$ 62,370	\$ -	\$ 41,178	\$ 103,548
Accrued liabilities	18,067	-	-	18,067
Due to other funds	-	-	3,179	3,179
Deferred revenue	536,794	-	-	536,794
Notes payable	85,000	-	-	85,000
Long-term advance from other funds	50,000	-	-	50,000
Total liabilities	<u>752,231</u>	<u>-</u>	<u>44,357</u>	<u>796,588</u>
Fund balances				
Reserved	224	-	-	224
Unreserved	2,669,818	95,813	1,502,112	4,267,743
Total fund balances	<u>2,670,042</u>	<u>95,813</u>	<u>1,502,112</u>	<u>4,267,967</u>
Total liabilities and fund balances	<u>\$ 3,422,273</u>	<u>\$ 95,813</u>	<u>\$ 1,546,469</u>	<u>\$ 5,064,555</u>

Leelanau County, Michigan

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds**

For the Year Ended December 31, 2005

	Special Revenue Funds	Debt Service Fund Law Enforcement	Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues				
Taxes	\$ 440,276	\$ -	\$ -	\$ 440,276
Intergovernmental				
Federal grants	269,527	-	-	269,527
State grants	348,145	-	-	348,145
Local sources	121,416	-	1	121,417
Charges for services	1,010,744	-	-	1,010,744
Reimbursements	137,539	-	-	137,539
Interest	-	-	130	130
Other revenue	6,004	-	-	6,004
Total revenues	<u>2,333,651</u>	<u>-</u>	<u>131</u>	<u>2,333,782</u>
Expenditures				
Current				
Judicial	58,255	-	-	58,255
General government	23,999	-	-	23,999
Public safety	970,980	-	-	970,980
Public works	221,543	-	-	221,543
Health and welfare	1,235,642	-	-	1,235,642
Debt service				
Principal	-	100,000	-	100,000
Interest and fiscal charges	-	290,187	-	290,187
Capital outlay	-	-	1,148,450	1,148,450
Total expenditures	<u>2,510,419</u>	<u>390,187</u>	<u>1,148,450</u>	<u>4,049,056</u>
Revenues over (under) expenditures	<u>(176,768)</u>	<u>(390,187)</u>	<u>(1,148,319)</u>	<u>(1,715,274)</u>
Other financing sources (uses)				
Proceeds from sales of assets	196,048	-	-	196,048
Transfers in	415,763	300,000	1,965,500	2,681,263
Transfers out	(377,406)	-	(8,403)	(385,809)
Total other financing sources (uses)	<u>234,405</u>	<u>300,000</u>	<u>1,957,097</u>	<u>2,491,502</u>
Net change in fund balances	57,637	(90,187)	808,778	776,228
Fund balances, beginning of year	<u>2,612,405</u>	<u>186,000</u>	<u>693,334</u>	<u>3,491,739</u>
Fund balances, end of year	<u><u>\$ 2,670,042</u></u>	<u><u>\$ 95,813</u></u>	<u><u>\$ 1,502,112</u></u>	<u><u>\$ 4,267,967</u></u>

Leelanau County, Michigan

**Combining Balance Sheet
Nonmajor Special Revenue Funds**

December 31, 2005

	Inmate Housing	Inmate Commissary	Community Corrections	Friend of Court	Case Flow Assistance
Assets					
Cash and cash equivalents	\$ 51,380	\$ 5,194	\$ 5,485	\$ 72,113	\$ 27,497
Accounts receivable	9,533	-	-	-	-
Taxes receivable	-	-	-	-	-
Due from other governmental units	490	-	-	-	-
Prepaid items	-	-	-	-	-
Total assets	<u>\$ 61,403</u>	<u>\$ 5,194</u>	<u>\$ 5,485</u>	<u>\$ 72,113</u>	<u>\$ 27,497</u>
Liabilities and fund balances					
Liabilities					
Accounts payable	\$ 3,124	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-	-	-
Deferred revenue	-	-	-	-	-
Notes payable	-	-	-	-	-
Long-term advance from other funds	-	-	-	-	-
Total liabilities	<u>3,124</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances					
Fund balance:					
Reserved	-	-	-	-	-
Unreserved - undesignated	58,279	5,194	5,485	72,113	27,497
Total fund balances	<u>58,279</u>	<u>5,194</u>	<u>5,485</u>	<u>72,113</u>	<u>27,497</u>
Total liabilities and fund balances	<u>\$ 61,403</u>	<u>\$ 5,194</u>	<u>\$ 5,485</u>	<u>\$ 72,113</u>	<u>\$ 27,497</u>

Landfill	Recycling	911	Wireless 911	911 Training	EMD Grants	R.O.D. Automation
\$ 12,144	\$ 22,751	\$ 196,509	\$ 225,212	\$ 10,875	\$ 8,023	\$ 90,325
-	40,651	32,719	-	-	-	-
-	-	-	-	-	-	-
-	-	-	25,309	-	-	-
-	-	-	-	-	-	-
<u>\$ 12,144</u>	<u>\$ 63,402</u>	<u>\$ 229,228</u>	<u>\$ 250,521</u>	<u>\$ 10,875</u>	<u>\$ 8,023</u>	<u>\$ 90,325</u>
\$ -	\$ 9,513	\$ 8,214	\$ -	\$ -	\$ -	\$ 3,686
-	-	11,833	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	50,000	-	-	-	-	-
<u>-</u>	<u>59,513</u>	<u>20,047</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,686</u>
-	-	-	-	-	-	-
12,144	3,889	209,181	250,521	10,875	8,023	86,639
<u>12,144</u>	<u>3,889</u>	<u>209,181</u>	<u>250,521</u>	<u>10,875</u>	<u>8,023</u>	<u>86,639</u>
<u>\$ 12,144</u>	<u>\$ 63,402</u>	<u>\$ 229,228</u>	<u>\$ 250,521</u>	<u>\$ 10,875</u>	<u>\$ 8,023</u>	<u>\$ 90,325</u>

Continued...

Leelanau County, Michigan

**Combining Balance Sheet
Nonmajor Special Revenue Funds**

December 31, 2005

	Budget Stabilization	Homestead Audit	Gaming Revenue	Law Library	CDBG Administration
Assets					
Cash and cash equivalents	\$ 1,149,113	\$ 4,446	\$ 89,752	\$ 3,848	\$ 10,163
Accounts receivable	-	-	458	-	50
Taxes receivable	-	-	-	-	-
Due from other governmental units	-	-	-	-	-
Prepaid items	-	-	-	-	-
Total assets	<u>\$ 1,149,113</u>	<u>\$ 4,446</u>	<u>\$ 90,210</u>	<u>\$ 3,848</u>	<u>\$ 10,213</u>
Liabilities and fund balances					
Liabilities					
Accounts payable	\$ -	\$ -	\$ 445	\$ 254	\$ 552
Accrued liabilities	-	-	-	-	721
Deferred revenue	-	-	-	-	-
Notes payable	-	-	-	-	-
Long-term advance from other funds	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>445</u>	<u>254</u>	<u>1,273</u>
Fund balances					
Fund balance:					
Reserved	-	-	-	-	-
Unreserved - undesignated	1,149,113	4,446	89,765	3,594	8,940
Total fund balances	<u>1,149,113</u>	<u>4,446</u>	<u>89,765</u>	<u>3,594</u>	<u>8,940</u>
Total liabilities and fund balances	<u>\$ 1,149,113</u>	<u>\$ 4,446</u>	<u>\$ 90,210</u>	<u>\$ 3,848</u>	<u>\$ 10,213</u>

HOME	Commission on Aging	Criminal Justice Training	Alternative To Juvenile Jailing	Department of Human Services	Child Care	Soldiers & Sailors
\$ 70,776	\$ 458,448	\$ 6,959	\$ -	\$ -	\$ 57,480	\$ 14,488
-	-	-	-	-	-	-
-	380,884	-	-	-	-	-
14,224	-	-	-	-	42,964	-
-	50	-	-	-	-	-
<u>\$ 85,000</u>	<u>\$ 839,382</u>	<u>\$ 6,959</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100,444</u>	<u>\$ 14,488</u>
\$ -	\$ 12,680	\$ -	\$ -	\$ -	\$ 18,278	\$ -
-	3,022	-	-	-	1,764	-
-	467,274	-	-	-	-	-
85,000	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>85,000</u>	<u>482,976</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,042</u>	<u>-</u>
-	50	-	-	-	-	-
-	356,356	6,959	-	-	80,402	14,488
-	356,406	6,959	-	-	80,402	14,488
<u>\$ 85,000</u>	<u>\$ 839,382</u>	<u>\$ 6,959</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100,444</u>	<u>\$ 14,488</u>

Continued...

Leelanau County, Michigan

**Combining Balance Sheet
Nonmajor Special Revenue Funds**

December 31, 2005

	Veterans' Trust	Juvenile Justice	Child Care DHS	Farmland Preservation	Communication Towers
Assets					
Cash and cash equivalents	\$ 497	\$ 6,203	\$ 2,250	\$ 9,330	\$ 212,557
Accounts receivable	-	-	-	-	-
Taxes receivable	-	-	-	-	-
Due from other governmental units	-	7,540	150	-	-
Prepaid items	-	-	-	-	-
Total assets	<u>\$ 497</u>	<u>\$ 13,743</u>	<u>\$ 2,400</u>	<u>\$ 9,330</u>	<u>\$ 212,557</u>
Liabilities and fund balances					
Liabilities					
Accounts payable	\$ -	\$ 614	\$ -	\$ 4,500	\$ 510
Accrued liabilities	-	727	-	-	-
Deferred revenue	-	-	-	-	69,520
Notes payable	-	-	-	-	-
Long-term advance from other funds	-	-	-	-	-
Total liabilities	<u>-</u>	<u>1,341</u>	<u>-</u>	<u>4,500</u>	<u>70,030</u>
Fund balances					
Fund balance:					
Reserved	-	-	-	-	-
Unreserved - undesignated	497	12,402	2,400	4,830	142,527
Total fund balances	<u>497</u>	<u>12,402</u>	<u>2,400</u>	<u>4,830</u>	<u>142,527</u>
Total liabilities and fund balances	<u>\$ 497</u>	<u>\$ 13,743</u>	<u>\$ 2,400</u>	<u>\$ 9,330</u>	<u>\$ 212,557</u>

Map Fund	Solid Waste Planning	Total
\$ 20,785	\$ 17,474	\$ 2,862,077
-	-	83,411
-	-	380,884
5,000	-	95,677
75	99	224
<u>\$ 25,860</u>	<u>\$ 17,573</u>	<u>\$ 3,422,273</u>

\$ -	\$ -	\$ 62,370
-	-	18,067
-	-	536,794
-	-	85,000
-	-	50,000
<u>-</u>	<u>-</u>	<u>752,231</u>

75	99	224
<u>25,785</u>	<u>17,474</u>	<u>2,669,818</u>
<u>25,860</u>	<u>17,573</u>	<u>2,670,042</u>
<u>\$ 25,860</u>	<u>\$ 17,573</u>	<u>\$ 3,422,273</u>

Concluded

Leelanau County, Michigan

**Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Special Revenue Funds**

For the Year Ended December 31, 2005

	Inmate Housing	Inmate Commissary	Community Corrections	Friend of Court	Case Flow Assistance
Revenues					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue:					
Federal	-	-	-	-	-
State	-	-	-	-	4,649
Local	-	-	-	-	-
Charges for services	231,932	2,069	1,500	3,730	-
Refunds and reimbursements	92,804	-	-	-	-
Other revenue	-	-	-	-	-
Total revenues	324,736	2,069	1,500	3,730	4,649
Expenditures					
Judicial	-	-	-	50,711	-
General government	-	-	-	-	-
Public safety	86,452	5,315	576	-	-
Public works	-	-	-	-	-
Health and welfare	-	-	-	-	-
Total expenditures	86,452	5,315	576	50,711	-
Revenues over (under) expenditures	238,284	(3,246)	924	(46,981)	4,649
Other financing sources (uses)					
Proceeds from sales of assets	-	-	-	-	-
Transfers in	-	-	-	58,200	-
Transfers out	(194,000)	-	-	-	-
Total other financing sources (uses)	(194,000)	-	-	58,200	-
Net change in fund balances	44,284	(3,246)	924	11,219	4,649
Fund balances (deficits) - beginning of year	13,995	8,440	4,561	60,894	22,848
Fund balances - end of year	\$ 58,279	\$ 5,194	\$ 5,485	\$ 72,113	\$ 27,497

Landfill	Recycling	911	Wireless 911	911 Training	EMD Grants	R.O.D. Automation
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	117,761	-
-	9,875	-	96,816	5,735	-	-
-	-	-	-	-	-	-
-	174,079	380,115	-	-	-	50,320
-	-	-	-	-	-	-
-	887	-	-	-	-	-
-	184,841	380,115	96,816	5,735	117,761	50,320
-	-	-	-	-	-	-
-	-	-	-	-	-	23,072
-	-	647,834	724	-	116,440	-
-	212,551	-	-	-	-	-
-	-	-	-	-	-	-
-	212,551	647,834	724	-	116,440	23,072
-	(27,710)	(267,719)	96,092	5,735	1,321	27,248
-	-	-	-	-	-	-
-	15,000	-	-	5,140	-	-
(15,000)	-	-	(5,140)	-	-	-
(15,000)	15,000	-	(5,140)	5,140	-	-
(15,000)	(12,710)	(267,719)	90,952	10,875	1,321	27,248
27,144	16,599	476,900	159,569	-	6,702	59,391
\$ 12,144	\$ 3,889	\$ 209,181	\$ 250,521	\$ 10,875	\$ 8,023	\$ 86,639

Continued...

Leelanau County, Michigan

**Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Special Revenue Funds**

For the Year Ended December 31, 2005

	Budget Stabilization	Homestead Audit	Gaming Revenue	Law Library	CDBG Administration
Revenues					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue:					
Federal	-	-	-	-	20,000
State	-	-	-	-	-
Local	-	-	81,500	-	-
Charges for services	-	17	4,679	2,570	-
Refunds and reimbursements	-	-	-	-	-
Other revenue	-	206	-	-	-
Total revenues	<u>-</u>	<u>223</u>	<u>86,179</u>	<u>2,570</u>	<u>20,000</u>
Expenditures					
Judicial	-	-	-	7,544	-
General Government	-	-	927	-	-
Public safety	-	-	39,870	-	-
Public works	-	-	-	-	-
Health and welfare	-	-	-	-	64,681
Total expenditures	<u>-</u>	<u>-</u>	<u>40,797</u>	<u>7,544</u>	<u>64,681</u>
Revenues over (under) expenditures	<u>-</u>	<u>223</u>	<u>45,382</u>	<u>(4,974)</u>	<u>(44,681)</u>
Other financing sources (uses)					
Proceeds from sales of assets	-	-	-	-	-
Transfers in	-	-	-	-	53,621
Transfers out	(56,059)	-	(6,251)	-	-
Total other financing sources (uses)	<u>(56,059)</u>	<u>-</u>	<u>(6,251)</u>	<u>-</u>	<u>53,621</u>
Net change in fund balances	<u>(56,059)</u>	<u>223</u>	<u>39,131</u>	<u>(4,974)</u>	<u>8,940</u>
Fund balances (deficits) - beginning of year	<u>1,205,172</u>	<u>4,223</u>	<u>50,634</u>	<u>8,568</u>	<u>-</u>
Fund balances - end of year	<u>\$ 1,149,113</u>	<u>\$ 4,446</u>	<u>\$ 89,765</u>	<u>\$ 3,594</u>	<u>\$ 8,940</u>

HOME	Commission on Aging	Criminal Justice Training	Alternative To Juvenile Jailing	Department of Human Services	Child Care	Soldiers & Sailors
\$ -	\$ 440,276	\$ -	\$ -	\$ -	\$ -	\$ -
101,818	15,343	-	-	-	14,605	-
-	-	4,495	-	2,087	193,492	-
-	39,916	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	44,735	-
-	4,911	-	-	-	-	-
101,818	500,446	4,495	-	2,087	252,832	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	1,712	-	-	-	-
-	-	-	-	-	-	-
174,735	419,262	-	-	14,087	511,165	700
174,735	419,262	1,712	-	14,087	511,165	700
(72,917)	81,184	2,783	-	(12,000)	(258,333)	(700)
196,048	-	-	-	-	-	-
-	-	-	-	12,000	252,641	-
(43,315)	-	-	(57,641)	-	-	-
152,733	-	-	(57,641)	12,000	252,641	-
79,816	81,184	2,783	(57,641)	-	(5,692)	(700)
(79,816)	275,222	4,176	57,641	-	86,094	15,188
\$ -	\$ 356,406	\$ 6,959	\$ -	\$ -	\$ 80,402	\$ 14,488

Continued...

Leelanau County, Michigan

**Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Special Revenue Funds**

For the Year Ended December 31, 2005

	Veterans' Trust	Juvenile Justice	Child Care DHS	Farmland Preservation	Communication Towers
Revenues					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue:					
Federal	-	-	-	-	-
State	1,813	18,540	5,643	-	-
Local	-	-	-	-	-
Charges for services	-	-	-	-	154,108
Refunds and reimbursements	-	-	-	-	-
Other revenue	-	-	-	-	-
Total revenues	<u>1,813</u>	<u>18,540</u>	<u>5,643</u>	<u>-</u>	<u>154,108</u>
Expenditures					
Judicial	-	-	-	-	-
General Government	-	-	-	-	-
Public safety	-	-	-	-	72,057
Public works	-	-	-	-	-
Health and welfare	2,483	27,616	7,743	13,170	-
Total expenditures	<u>2,483</u>	<u>27,616</u>	<u>7,743</u>	<u>13,170</u>	<u>72,057</u>
Revenues over (under) expenditures	<u>(670)</u>	<u>(9,076)</u>	<u>(2,100)</u>	<u>(13,170)</u>	<u>82,051</u>
Other financing sources (uses)					
Proceeds from sales of assets	-	-	-	-	-
Transfers in	-	16,911	2,250	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>16,911</u>	<u>2,250</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(670)</u>	<u>7,835</u>	<u>150</u>	<u>(13,170)</u>	<u>82,051</u>
Fund balances (deficits) - beginning of year	<u>1,167</u>	<u>4,567</u>	<u>2,250</u>	<u>18,000</u>	<u>60,476</u>
Fund balances - end of year	<u><u>\$ 497</u></u>	<u><u>\$ 12,402</u></u>	<u><u>\$ 2,400</u></u>	<u><u>\$ 4,830</u></u>	<u><u>\$ 142,527</u></u>

Map Fund	Solid Waste Planning	Total
\$ -	\$ -	\$ 440,276
-	-	269,527
5,000	-	348,145
-	-	121,416
5,625	-	1,010,744
-	-	137,539
-	-	6,004
10,625	-	2,333,651
-	-	58,255
-	-	23,999
-	-	970,980
6,306	2,686	221,543
-	-	1,235,642
6,306	2,686	2,510,419
4,319	(2,686)	(176,768)
-	-	196,048
-	-	415,763
-	-	(377,406)
-	-	234,405
4,319	(2,686)	57,637
21,541	20,259	2,612,405
\$ 25,860	\$ 17,573	\$ 2,670,042

Concluded

Leelanau County, Michigan

**Combining Balance Sheet
Nonmajor Capital Project Funds**

December 31, 2005

	<u>Courthouse Construction</u>	<u>Communications</u>	<u>Drain Revolving</u>	<u>Jail Expansion</u>
Assets				
Cash and cash equivalents	\$ 1,393,603	\$ 143,537	\$ 5,809	\$ -
Due from other funds	-	-	-	-
Total assets	<u><u>\$ 1,393,603</u></u>	<u><u>\$ 143,537</u></u>	<u><u>\$ 5,809</u></u>	<u><u>\$ -</u></u>
Liabilities and fund balances				
Liabilities				
Accounts payable	\$ 41,178	\$ -	\$ -	\$ -
Due to other funds	-	-	3,179	-
Total liabilities	41,178	-	3,179	-
Fund balances				
Fund balances - unreserved, undesignated	<u>1,352,425</u>	<u>143,537</u>	<u>2,630</u>	<u>-</u>
Total liabilities and fund balances	<u><u>\$ 1,393,603</u></u>	<u><u>\$ 143,537</u></u>	<u><u>\$ 5,809</u></u>	<u><u>\$ -</u></u>

Brewery Creek Drain	Total
\$ 341	\$ 1,543,290
3,179	3,179
<u>\$ 3,520</u>	<u>\$ 1,546,469</u>
\$ -	\$ 41,178
-	3,179
-	44,357
3,520	1,502,112
<u>\$ 3,520</u>	<u>\$ 1,546,469</u>

Leelanau County, Michigan

**Combining Statement of Revenues, Expenditures And
Changes in Fund Balance
Nonmajor Capital Project Funds**

For the Year Ended December 31, 2005

	<u>Courthouse Construction</u>	<u>Communications</u>	<u>Drain Revolving</u>	<u>Jail Expansion</u>
Revenues				
Local sources	\$ -	\$ 1	\$ -	\$ -
Interest	-	-	123	-
Total revenues	-	1	123	-
Expenditures				
Public works				
Capital outlay	948,875	6,318	-	193,257
Revenues over (under) expenditures	(948,875)	(6,317)	123	(193,257)
Other financing sources (uses)				
Transfer in	1,965,500	-	-	-
Transfers out	-	-	-	(8,403)
Total other financing sources (uses)	1,965,500	-	-	(8,403)
Net change in fund balances	1,016,625	(6,317)	123	(201,660)
Fund balances - beginning of year	335,800	149,854	2,507	201,660
Fund balances - end of year	<u>\$ 1,352,425</u>	<u>\$ 143,537</u>	<u>\$ 2,630</u>	<u>\$ -</u>

Brewery Creek Drain	Total
\$ -	\$ 1
7	130
7	131
-	1,148,450
7	(1,148,319)
-	1,965,500
-	(8,403)
-	1,957,097
7	808,778
3,513	693,334
\$ 3,520	\$ 1,502,112

Leelanau County, Michigan

**Combining Statement of Net Assets
Nonmajor Enterprise Funds**

December 31, 2005

	Building Inspection	Maple Valley Nursing Home Property	Treasurer's Tax Reversion	Total
Assets				
Current assets				
Cash and cash equivalents	\$ 114,141	\$ 299,789	\$ 61,994	\$ 475,924
Taxes receivable - delinquent	-	41	172	213
Prepaid items	700	-	-	700
Total current assets	114,841	299,830	62,166	476,837
Noncurrent assets				
Capital assets, net	-	202,367	-	202,367
Total assets	114,841	502,197	62,166	679,204
Current liabilities				
Accounts payable	13,824	-	315	14,139
Accrued liabilities	6,772	-	-	6,772
Unearned revenue	-	41	-	41
Total current liabilities	20,596	41	315	20,952
Noncurrent liabilities				
Compensated absences	20,469	-	-	20,469
Total liabilities	41,065	41	315	41,421
Net assets				
Invested in capital assets	-	202,367	-	202,367
Unreserved	73,776	299,789	61,851	435,416
Total net assets	\$ 73,776	\$ 502,156	\$ 61,851	\$ 637,783

Leelanau County, Michigan

**Combining Statement of Revenues, Expenses
and Changes in Fund Net Assets
Nonmajor Enterprise Funds**

For the Year Ended December 31, 2005

	<u>Building Inspection</u>	<u>Maple Valley Nursing Home Property</u>	<u>Treasurer's Tax Reversion</u>	<u>Total</u>
Operating revenue				
Charges for services	\$ 712,088	\$ -	\$ 36,730	\$ 748,818
Other revenues	-	37,110	-	37,110
	<u>712,088</u>	<u>37,110</u>	<u>36,730</u>	<u>785,928</u>
Total operating revenue				
Operating expenses				
Salary and wages	480,553	-	-	480,553
Depreciation	-	13,720	-	13,720
Other expenses	201,635	4,122	18,684	224,441
	<u>682,188</u>	<u>17,842</u>	<u>18,684</u>	<u>718,714</u>
Total operating expenses				
Change in net assets	29,900	19,268	18,046	67,214
Net assets, beginning of year	<u>43,876</u>	<u>482,888</u>	<u>43,805</u>	<u>570,569</u>
Net assets, end of year	<u><u>\$ 73,776</u></u>	<u><u>\$ 502,156</u></u>	<u><u>\$ 61,851</u></u>	<u><u>\$ 637,783</u></u>

Leelanau County, Michigan

**Combining Statement of Cash Flows
Nonmajor Enterprise Funds**

For the Year Ended December 31, 2005

	Building Inspection	Maple Valley Nursing Home Property	Treasurer's Tax Reversion	Total
Cash flows from operating activities				
Cash receipts from customers	\$ 712,088	\$ 37,110	\$ 37,046	\$ 786,244
Cash payments to suppliers for goods and services	(198,730)	(4,122)	(18,369)	(221,221)
Cash payments to employees for services	(485,851)	-	(3,399)	(489,250)
Net cash provided by operating activities	27,507	32,988	15,278	75,773
Cash flows from capital and related financing activities				
Purchases of capital assets	-	(2,494)	-	(2,494)
Net increase in cash and cash equivalents	27,507	30,494	15,278	73,279
Cash and cash equivalents, beginning of year	86,634	269,295	46,716	402,645
Cash and cash equivalents, end of year	\$ 114,141	\$ 299,789	\$ 61,994	\$ 475,924
Cash flows from operating activities				
Reconciliation of operating income to net cash provided by operating activities				
Operating income	\$ 29,900	\$ 19,268	\$ 18,046	\$ 67,214
Adjustments to reconcile operating income to net cash from operating activities				
Depreciation	-	13,720	-	13,720
Changes in assets and liabilities				
Taxes receivable - delinquent	-	-	316	316
Prepaid items	(74)	-	-	(74)
Accounts payable	2,979	-	315	3,294
Accrued liabilities	(5,298)	-	(3,399)	(8,697)
Net cash provided by operating activities	\$ 27,507	\$ 32,988	\$ 15,278	\$ 75,773

Leelanau County, Michigan
Combining Statement of Net Assets
Internal Service Funds
December 31, 2005

	<u>Building and Grounds</u>	<u>Data Processing</u>	<u>Copy Machine</u>	<u>Mailing Department</u>
Assets				
Current assets				
Cash and cash equivalents	\$ 246,642	\$ 359,022	\$ 186,810	\$ 17,537
Prepaid items	-	15,582	5,642	-
Total current assets	246,642	374,604	192,452	17,537
Noncurrent assets				
Capital assets, net	38,532	26,149	21,323	-
Total assets	285,174	400,753	213,775	17,537
Liabilities				
Current liabilities				
Accounts payable	19,027	23,615	175	-
Accrued liabilities	2,137	995	-	-
Unearned revenue	-	1,301	-	-
Total liabilities	21,164	25,911	175	-
Net assets				
Invested in capital assets	38,532	26,149	21,323	-
Unrestricted	225,478	348,693	192,277	17,537
Total net assets	<u>\$ 264,010</u>	<u>\$ 374,842</u>	<u>\$ 213,600</u>	<u>\$ 17,537</u>

MMRMA Retention	Motor Pool	Totals
\$ -	\$ 194,737	\$ 1,004,748
104,328	-	125,552
104,328	194,737	1,130,300
-	69,150	155,154
104,328	263,887	1,285,454
48,836	-	91,653
-	-	3,132
-	-	1,301
48,836	-	96,086
-	69,150	155,154
55,492	194,737	1,034,214
\$ 55,492	\$ 263,887	\$ 1,189,368

Leelanau County, Michigan
Combining Statement of Revenues, Expenses
and Changes in Fund Net Assets
Internal Service Funds
For the Year Ended December 31, 2005

	<u>Building and Grounds</u>	<u>Data Processing</u>	<u>Copy Machine</u>	<u>Mailing Department</u>
Operating revenue				
Charges for services	\$ 470,577	\$ 255,587	\$ 41,271	\$ 42,407
Operating grants	-	1,366	-	-
Other revenues	-	520	-	-
Total operating revenue	<u>470,577</u>	<u>257,473</u>	<u>41,271</u>	<u>42,407</u>
Operating expenses				
Salaries and fringes	156,732	69,949	-	-
Supplies	43,565	11,491	6,583	32,522
Gas and oil	2,529	-	-	-
Heat, power and lights	163,598	-	-	-
Repairs and maintenance	36,151	1,161	48	-
Equipment rent	33,370	-	-	-
Contractual services	18,727	93,161	13,775	4,348
Depreciation	14,084	47,577	10,052	-
Other expenses	6,456	-	-	-
Total operating expenses	<u>475,212</u>	<u>223,339</u>	<u>30,458</u>	<u>36,870</u>
Operating income (loss)	<u>(4,635)</u>	<u>34,134</u>	<u>10,813</u>	<u>5,537</u>
Nonoperating revenue (expense)				
Gain (loss) on disposal of capital assets	-	-	(3,288)	-
Interest on investments	-	-	-	-
Total nonoperating revenue (expense)	<u>-</u>	<u>-</u>	<u>(3,288)</u>	<u>-</u>
Operating income before transfers	(4,635)	34,134	7,525	5,537
Other financing sources				
Transfer in	-	-	-	12,000
Changes in net assets	(4,635)	34,134	7,525	17,537
Net assets, beginning of year	<u>268,645</u>	<u>340,708</u>	<u>206,075</u>	<u>-</u>
Net assets, end of year	<u>\$ 264,010</u>	<u>\$ 374,842</u>	<u>\$ 213,600</u>	<u>\$ 17,537</u>

MMRMA Retention	Motor Pool	Totals
\$ 24,907	\$ 107,534	\$ 942,283
-	-	1,366
-	-	520
24,907	107,534	944,169
-	-	226,681
-	-	94,161
-	-	2,529
-	-	163,598
-	-	37,360
-	-	33,370
-	-	130,011
-	94,967	166,680
68,493	-	74,949
68,493	94,967	929,339
(43,586)	12,567	14,830
-	4,331	1,043
4,707	-	4,707
4,707	4,331	5,750
(38,879)	16,898	20,580
-	-	12,000
(38,879)	16,898	32,580
94,371	246,989	1,156,788
<u>\$ 55,492</u>	<u>\$ 263,887</u>	<u>\$ 1,189,368</u>

Leelanau County, Michigan

**Internal Service Funds
Combining Statement of Cash Flows**

For the Year Ended December 31, 2005

	<u>Building and Grounds</u>	<u>Data Processing</u>	<u>Copy Machine</u>	<u>Mailing Department</u>
Cash flows from operating activities				
Cash received from interfund services	\$ 470,577	\$ 255,587	\$ 41,271	\$ 42,407
Cash received from customers	-	3,187	-	-
Cash payments to suppliers for goods and services	(311,872)	(105,293)	(26,007)	(36,870)
Cash payments to employees for services	<u>(156,329)</u>	<u>(69,750)</u>	<u>-</u>	<u>-</u>
Net cash provided by (used in) operating activities	<u>2,376</u>	<u>83,731</u>	<u>15,264</u>	<u>5,537</u>
Cash flows from non-capital financing activities				
Transfer in	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,000</u>
Cash flows from capital and related financing activities				
Purchases of capital assets	-	-	(14,310)	-
Proceeds from sale of capital assets	<u>-</u>	<u>-</u>	<u>300</u>	<u>-</u>
Net cash used in capital and related financing activities	<u>-</u>	<u>-</u>	<u>(14,010)</u>	<u>-</u>
Cash flows from investing activities				
Interest received	-	-	-	-
Sale of investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided by investing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	2,376	83,731	1,254	17,537
Cash and cash equivalents, beginning of year	<u>244,266</u>	<u>275,291</u>	<u>185,556</u>	<u>-</u>
Cash and cash equivalents, end of year	<u><u>\$ 246,642</u></u>	<u><u>\$ 359,022</u></u>	<u><u>\$ 186,810</u></u>	<u><u>\$ 17,537</u></u>
Cash flows from operating activities				
Reconciliation of operating income to net cash provided by operating activities				
Operating income (loss)	\$ (4,635)	\$ 34,134	\$ 10,813	\$ 5,537
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation	14,084	47,577	10,052	-
Changes in assets and liabilities				
Prepaid items	-	(12,469)	(5,642)	-
Accounts payable	(7,476)	12,989	41	-
Accrued liabilities	403	199	-	-
Unearned revenue	<u>-</u>	<u>1,301</u>	<u>-</u>	<u>-</u>
Net cash provided by (used in) operating activities	<u><u>\$ 2,376</u></u>	<u><u>\$ 83,731</u></u>	<u><u>\$ 15,264</u></u>	<u><u>\$ 5,537</u></u>

<u>MMRMA Retention</u>	<u>Motor Pool</u>	<u>Totals</u>
\$ 24,907	\$ 107,534	\$ 942,283
-	-	3,187
(143,985)	-	(624,027)
<u>-</u>	<u>-</u>	<u>(226,079)</u>
<u>(119,078)</u>	<u>107,534</u>	<u>95,364</u>
<u>-</u>	<u>-</u>	<u>12,000</u>
-	(61,239)	(75,549)
<u>-</u>	<u>4,331</u>	<u>4,631</u>
<u>-</u>	<u>(56,908)</u>	<u>(70,918)</u>
4,707	-	4,707
<u>114,371</u>	<u>-</u>	<u>114,371</u>
<u>119,078</u>	<u>-</u>	<u>119,078</u>
-	50,626	155,524
<u>-</u>	<u>144,111</u>	<u>849,224</u>
<u>\$ -</u>	<u>\$ 194,737</u>	<u>\$ 1,004,748</u>
\$ (43,586)	\$ 12,567	\$ 14,830
-	94,967	166,680
(104,328)	-	(122,439)
28,836	-	34,390
-	-	602
<u>-</u>	<u>-</u>	<u>1,301</u>
<u>\$ (119,078)</u>	<u>\$ 107,534</u>	<u>\$ 95,364</u>

Leelanau County, Michigan

**Agency Funds
Combining Balance Sheet**

December 31, 2005

Assets	Trust & Agency	District Court	Library Penal Fine	Circuit Court Trust
Cash and cash equivalents	<u>\$ 468,016</u>	<u>\$ 42,775</u>	<u>\$ 25,713</u>	<u>\$ 44,391</u>
Liabilities				
Due to other governments	\$ 184,393	\$ -	\$ -	\$ -
Undistributed collections	282,082	-	25,713	-
Other current liabilities	<u>1,541</u>	<u>42,775</u>	<u>-</u>	<u>44,391</u>
Total liabilities	<u>\$ 468,016</u>	<u>\$ 42,775</u>	<u>\$ 25,713</u>	<u>\$ 44,391</u>

Inmate Trust Account	Totals
<u>\$ 4,257</u>	<u>\$ 585,152</u>
\$ -	\$ 184,393
-	307,795
<u>4,257</u>	<u>92,964</u>
<u>\$ 4,257</u>	<u>\$ 585,152</u>



REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP



April 5, 2006

To the Board of Commissioners of
Leelanau County
Leland, Michigan

We have audited the financial statements of Leelanau County for the year ended December 31, 2005, and have issued our report thereon dated April 5, 2006. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in the United States of America

As stated in our engagement letter dated January 6, 2006, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Leelanau County. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we advised management about the appropriateness of accounting policies and their application. The significant accounting policies used by Leelanau County are described in Note 1 to the financial statements. As reflected in note III-A to the financial statements, in 2005 the County adopted Statement of Governmental Accounting Standards (GASB Statements) No. 40, *Deposit and Investment Risk Disclosures*. The effect of implementing these new standards did not result in the restatement of beginning net assets/fund balances.

We noted no transactions entered into by Leelanau County during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future. We evaluated the key factors and assumptions used to develop the useful lives of those assets in determining that they are reasonable in relation to the financial statements taken as a whole.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on Leelanau County's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by Leelanau County, either individually or in the aggregate, indicate matters that could have a significant effect on Leelanau County's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Leelanau County's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing our audit.

This letter and the accompanying memorandum are intended for the use of the Board of Commissioners, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style with a large initial 'L' and 'J'.

Leelanau County
Comments and Recommendations
For the Year Ended December 31, 2005

During our audit we became aware of certain issues regarding internal control and financial reporting. This memorandum summarizes our comments and suggestions regarding these matters. This memorandum does not affect our report dated April 5, 2006, on the financial statements of Leelanau County.

Internal Controls over Cash – Bank Reconciliations

The Michigan Department of Treasury has recently issued guidance re-emphasizing its position as stated in the Uniform Accounting Procedures Manual that local units of government are required to prepare monthly bank reconciliations for all cash accounts on a timely basis. Auditors are now required to report to the Local Audit and Finance Division whether all bank reconciliations examined in connection with our audit were performed within six weeks of each month end.

While reconciliations were prepared throughout the year for the County's various accounts, we noted that these documents consistently contained unreconciled or untraced variances, meaning that those accounts were not actually reconciled. Accordingly, measures should be implemented to isolate the reasons for unreconciled variances and to properly complete the monthly reconciliations on timely basis. These procedures should include a documented, independent review of all monthly bank reconciliations.

Reconciliation of Loans Receivable

The County does not maintain a loans receivable subsidiary ledger that is reconciled to the general ledger on a periodic basis. Instead, outstanding balances are summarized at year end by loan and the loans receivable and related deferred revenue are adjusted to the summary. We recommend that the County institute policies to ensure that loans receivable subsidiary ledgers are properly maintained and reconciled to the general ledger in a timely manner (at least quarterly).

* * * * *